About the Integrated Report 2018

The Tokai Tokyo Financial Group has introduced numerous innovations to withstand and prevail against tough tides of the changing times since its founding in 2000. Since 2016, we expanded our report to cover, in addition to financial data, non-financial environment, social, and governance (ESG) information. This year, we have broadened our non-financial reporting even further to present our image of how we envision the business activities of the Tokai Tokyo Financial Group in the future.

Notice concerning forward-looking statements

This corporate report is intended to provide information concerning the Company’s operating results for the period April 1, 2017 to March 31, 2018 and the management vision for the future of the Company. This report is not intended to solicit investment in marketable securities issued by the Company and does not constitute any guarantee or commitment regarding the presented data or statements. The strategies, opinions, and forward-looking statements offered in this integrated corporate report are based on the judgment of the Company at the time the report was prepared. The Company does not guarantee the accuracy or completeness of the information contained herein, and the information is subject to change without notice.

Editorial policy

This report is issued to communicate information to stakeholders about the Company’s management strategy, earnings performance, and its activities related to the environment and society for the fiscal year ended March 31, 2018.
Management Philosophy

Our Vision

We will contribute to the growth of our nation’s economy by fulfilling the role as a financial service provider to help customers with their wealth formation and capital enhancement.

Throughout its business operations, the Tokai Tokyo Financial Group cherishes local communities and the people in them. We want to help customers build their assets and capital, and in so doing, contribute to Japan’s economic growth. Through a united effort, and with the trust and support of all our stakeholders, we will pursue our vision of becoming a groundbreaking integrated financial group that leads the way in a new age.

Our Mission

- **Customer**
  
  We will help customers realize affluent lives and promote corporate values by advising about appropriate use of wealth and assets. Toward that end, we will keep striving to be the group with full commitment and devotion.

- **Global**
  
  We will read the times right and see things in a global perspective to prevail as an innovative group.

- **Region**
  
  We are the group that will care about the community in which we operate and render the help to elevate the prosperity there now and in the future.

- **Employee**
  
  We will remain the group that encourages employees with varying experience and expertise to attain sparkling self-realization in their respective ways.

- **Trust**
  
  We will remain the group that negotiates even the toughest adverse stream of the times with the matching strength and resilience with a view to winning the confidence from our stakeholders.

Our Action

- We shall keep learning.
- We shall challenge.
- We shall respect communications.
- We shall embrace the motto, “To get stronger and more resilient.”
- We respect our “corporate discipline.”

Catchphrase

- Exciting company
- Ever-learning company
- Company nurturing sense of fellowship
- Company with integrity
- Strong and resilient company

INTEGRATED REPORT 2018
About the Tokai Tokyo Financial Group

The story of the Tokai Tokyo Financial Group

History

2000

10/2000

Tokyo Securities merges with Tokai Maruman Securities and becomes Tokai Tokyo Securities as a surviving company.

Acquisitions


Investments in affiliates


Joint venture securities companies with regional banks


Overseas expansion

- 4/2001: Launch of Otome no Osafu (“maiden’s purse”), an investment information website focused on women investors.
- 10/2002: TTSC starts handling variable annuity insurance.

Events related to products and services

- 4/2001: TTSC.
- 1/2004: TTSC.
- 7/2004: TTSC.

2002

The second “Big Bang” financial deregulation

- 4/2002: TTSC starts handling variable annuity insurance.

2007~2008

Global financial crisis


2009


Further Strengthen Operating Base and More Growth

- 4/2012~ 3/2017: Ambitious 5
- 4/2013~ 6/2018: 5 Reforms Supported by IT Strategy and Alliance Strategy

5. Risk Management

4. Humanity

2. Alliance & Platform

1. Community & the Middle

Management Plan

Group strategy

Business climate

TTFC

TTFH

TTSC

TSC

TPM

TFG

TTFH

TF

The Tokai Tokyo Financial Group

Tokai Tokyo Financial Holdings, Inc.

Tokai Tokyo Securities Co., Ltd.

Takagi Securities Co., Ltd.


Innovation Jump up 5

Premier House

5 Reforms Supported by IT Strategy and Alliance Strategy
### History

#### 2002
- **8/2002**
  - Takagi Securities Co., Ltd.
- **10/2002**
  - Tokai Tokyo Securities Co., Ltd.

#### 2003
- **4/2003**
  - Alliance with China-based firm Guotai Junan Securities and over-the-counter trading in China ADRs

#### 2004
- **4/2004**
  - Tokai Tokyo Investment Co., Ltd. founded
- **7/2004**
  - Wealthy Individuals' Planning

#### 2005
- **4/2005**
  - Alliance with Singapore-based Phillip Securities Pte Ltd.
- **6/2005**
  - Alliance with Thailand-based Bualuang Securities Joint Stock Company

#### 2006
- **3/2006**
  - Alliance with Vietnam-based Bao Viet Securities Joint Stock Company
- **7/2006**
  - Alliance with and invests in Malaysia-based firm K&N Kenanga Holdings Berhad

#### 2007
- **1/2007**
  - Alliance with Philippine-based First East Asia, Limited
- **3/2007**
  - Alliance with US-based firm All Nippon Asset Management Co., Ltd.

#### 2008
- **4/2008**
  - Alliance with Japan-based Asia Financial Group
- **7/2008**
  - Alliance with and invests in Malaysia-based firm K&N Kenanga Holdings Berhad

#### 2009
- **4/2009**
  - Alliance with US-based firm All Nippon Asset Management Co., Ltd. (a consolidated subsidiary) founded
- **5/2009**
  - Alliance with and invests in Malaysia-based firm K&N Kenanga Holdings Berhad

#### 2010
- **3/2010**
  - Alliance with US-based firm All Nippon Asset Management Co., Ltd. (now Kenanga Investment Bank Berhad)
- **4/2010**
  - Alliance with and invests in Malaysia-based firm K&N Kenanga Holdings Berhad

#### 2011
- **2/2011**
  - Alliance with Philippine-based First East Asia, Limited
- **7/2011**
  - Alliance with US-based firm All Nippon Asset Management Co., Ltd. (a consolidated subsidiary) founded

#### 2012
- **3/2012**
  - Alliance with Singapore-based Phillip Securities Pte Ltd.
- **6/2012**
  - Alliance with Singapore-based Phillip Securities Pte Ltd.

#### 2013
- **4/2013**
  - Alliance with and invests in Malaysia-based firm K&N Kenanga Holdings Berhad
- **9/2013**
  - Alliance with US-based firm All Nippon Asset Management Co., Ltd.

#### 2014
- **2/2014**
  - Alliance with and invests in Malaysia-based firm K&N Kenanga Holdings Berhad
- **5/2014**
  - Alliance with and invests in Malaysia-based firm K&N Kenanga Holdings Berhad

#### 2015
- **3/2015**
  - Alliance with and invests in Malaysia-based firm K&N Kenanga Holdings Berhad
- **4/2015**
  - Alliance with and invests in Malaysia-based firm K&N Kenanga Holdings Berhad

#### 2016
- **4/2016**
  - Alliance with and invests in Malaysia-based firm K&N Kenanga Holdings Berhad
- **5/2016**
  - Alliance with and invests in Malaysia-based firm K&N Kenanga Holdings Berhad

#### 2017
- **3/2017**
  - Alliance with and invests in Malaysia-based firm K&N Kenanga Holdings Berhad
- **4/2017**
  - Alliance with and invests in Malaysia-based firm K&N Kenanga Holdings Berhad

#### 2018
- **3/2018**
  - Alliance with and invests in Malaysia-based firm K&N Kenanga Holdings Berhad
- **4/2018**
  - Alliance with and invests in Malaysia-based firm K&N Kenanga Holdings Berhad
An independent integrated financial group

The Tokai Tokyo Financial Group is a comprehensive securities company group led by its holding company, Tokai Tokyo Financial Holdings, Inc. The Group comprises 17 subsidiaries, including 5 located overseas, and 10 affiliates, including 1 overseas. The Tokai Tokyo Financial Group has focused on establishing and expanding its overseas network, particularly in Asia, and continues to elevate its presence as a global corporation.

As of October 1, 2018
Nationwide expansion in line with alliance strategy from our strong launching pad in Chubu

Tokai Tokyo Securities and Takagi Securities operate 78 sales offices nationwide. Over half of these offices are concentrated in the Chubu region, where we maintain an unrivaled presence and have built strong relationships of trust with local customers. We are building a network of sales offices throughout Japan including those of our joint ventures, security companies to expand our network from Chubu across Japan.

Tokai Tokyo Securities (TTSC)
66 sales outlets nationwide

Takagi Securities
12

Joint venture securities companies
77

Eternal
57 Insurance Terrace sales offices, including 49 directly run agencies
(As of October 1, 2018)

Overseas expansion

The Tokai Tokyo Financial Group operates six overseas subsidiaries and affiliates. The Group also has close alliances with nine financial institutions overseas, mainly in North America and Asia (outside of Japan), enabling access to overseas markets and further upgrading the caliber of our financial services.
Diverse business portfolio and products

The Tokai Tokyo Financial Group has created a diverse and broad-ranging product and service portfolio capable of sustainably generating stable revenues. Consequently, with each passing year, an increasingly large share of total revenue comes from the non-retail segment of the Group’s flagship company, Tokai Tokyo Securities, such that the present portfolio maintains a wholesome balance of weight among the operations of retail, market and wholesale that comprises of corporate sales and investment banking. The Group continues diversifying its lineup of financial products and services. Currently, the Group’s product-specific revenues are divided into four primary products: domestic equities, foreign equities, foreign / structured bonds, and mutual funds / investment trusts, with no excessive reliance on any one of them specifically.

Breakdown of total revenue by business segment (Tokai Tokyo Securities)

Non-retail 15%
(e.g. market, corporate sales, investment banking)

Non-retail 43%
(e.g. market, corporate sales, investment banking)

FYE3/2007
Retail 85%

FYE3/2018
Retail 57%

Product-specific revenue (consolidated)

Mutual funds / investment trusts 16%
Foreign / structured bonds 22%
Domestic equities 22%
Domestic bonds 7%
Other 6%

Overseas network

The Tokai Tokyo Financial Group operates six overseas subsidiaries and affiliates in the world’s financial centers. This global network enables the Group to access and share in a timely manner the latest information on investment, financial, and economic policies. The London office arranges financial products for the Japanese market with European issuing entities and arrangers. The Hong Kong office develops business with institutional investors and high-net-worth customers. The Singapore offices manage hedge funds and fund investments. The Group forms alliances with nine financial institutions based in US and Asia (outside of Japan), acquires and offers data about local financial and economic situations as well as those about individual stock while attempting to expand their lines of business. The Group also shares among its members the global political and economic insights offered by the leading experts who sit on the Global Advisory Board (please see page 43) of the Company.
Alliance strategy with regional banks

The Tokai Tokyo Financial Group has been developing joint venture businesses with regional banks since 2007. Connecting the Group's expertise in the securities business with the customer bases of regional banks generated unique synergy effects from the combination of banking and securities operations (please see page 30).

The Group currently has six joint venture securities companies, through which it cultivates regional markets with significant growth potential. Each alliance partner is a leading regional bank with a formidable operating base and clientele in the region concerned. From the outset of the alliance strategy implementation, we have allowed these banks to take the lead in the ventures, so as to deepen our ties with them. The alliances offer a win-win format; the regional banks can incorporate securities into their business mix with minimal initial costs, while the Group benefits from the banks' clientele and network and uses the profit to stabilize its operating results.

The joint ventures contribute more to consolidated earnings with each passing year. In the fiscal year ended March 31, 2018, they accounted for 37.8% of the Group's consolidated ordinary income. By expanding our networks with the regional banks, we are differentiating ourselves from the major securities companies and contributing significantly to achieving continuing growth for the Group.

Recently, we signed a basic agreement with Gifu City-based The Juroku Bank, Ltd. for a comprehensive business alliance. Plans are underway to jointly invest in a joint venture securities company (please see page 31). We will strengthen ties with the bank and use the comprehensive business alliance to establish a new model in regional finance.

Contributions from joint venture securities companies to consolidated ordinary income

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Generated from transactions with joint venture securities companies</th>
<th>Share of profit of entities accounted for using equity method from joint venture securities companies</th>
<th>The ratio of contributions from joint venture securities companies against consolidated ordinary income</th>
</tr>
</thead>
<tbody>
<tr>
<td>3/2009</td>
<td>(89)</td>
<td>1,041</td>
<td></td>
</tr>
<tr>
<td>3/2010</td>
<td>526</td>
<td>1,430</td>
<td>36.6</td>
</tr>
<tr>
<td>3/2011</td>
<td>1,325</td>
<td>2,272</td>
<td>32.0</td>
</tr>
<tr>
<td>3/2012</td>
<td>1,636</td>
<td>2,434</td>
<td>32.0</td>
</tr>
<tr>
<td>3/2013</td>
<td>1,418</td>
<td>3,996</td>
<td>34.4</td>
</tr>
<tr>
<td>3/2014</td>
<td>2,570</td>
<td>6,564</td>
<td>37.8</td>
</tr>
<tr>
<td>3/2015</td>
<td>2,568</td>
<td>3,961</td>
<td>36.6</td>
</tr>
<tr>
<td>3/2016</td>
<td>1,431</td>
<td>4,856</td>
<td>37.8</td>
</tr>
<tr>
<td>3/2017</td>
<td>1,073</td>
<td>4,856</td>
<td>37.8</td>
</tr>
<tr>
<td>3/2018</td>
<td>2,317</td>
<td>7,919</td>
<td>40.0</td>
</tr>
</tbody>
</table>
Financial functions that create diverse value

Megatrends

Aging society
(The “great inheritance” age)

The age of inequality

Work-style reform

Geopolitical issues

The digital age
FinTech

Input—The strengths of our managerial resources

Human capital
• Proficiency and humanity
• Training system—the “ever-learning company”

Intellectual capital
• Sophisticated product mix, execution competence
• Outstanding research ability
• Marketing approaches tailored to each customer segment

Social capital
• Overwhelming presence and solid business base in Chubu
• Networks with international partners
• Networks with regional banks
• Broad customer base, consisting of our direct customers, the customers of our joint venture securities companies and our platform service recipients
• Alliance networks with FinTech firms

Financial capital
• Total equity: ¥172.6 billion
• Group’s assets under custody: ¥6.5 trillion including those held by equity method affiliates

Corporate Governance

Compliance &...
The foundation for value creation

Business management that is focused on achieving a sustainable society

risk management

Output

Deliver the best fitting products and solutions

Outcomes

Customers
- Optimum wealth formation
- Optimum capital solutions

Shareholders
- Dividends and other forms of return
- Capital gain

Intragroup / employees
- Larger capital—more funds for pursuing alliance strategy
- Work-style reform: Better job satisfaction and productivity
- Pride in being an innovative company

Local communities
- Joint ventures and platform business: Local economic revitalization
- Business network formation through open innovation, etc. to contribute to local communities

About the Tokai Tokyo Financial Group

Schemes Designed to Enhance Corporate Value

Future Growth Strategy

Data Section

Business model

A business model fit to changing environment

Input—The strengths of our managerial resources
Business model Output Outcomes

Human capital
- Professionality and humanity
- Training system—the "ever-learning company"

Intellectual capital
- Sophisticated product mix, execution competence
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Local communities
- Joint ventures and platform business: Local economic revitalization
- Business network formation through open innovation, etc. to contribute to local communities

Reinvestment

Social contribution
Our management plan, New Age’s Flag Bearer 5, is now in its second year. Under this plan, we aspire to be the flag bearer of a new age by forging a new business model for securities and finance and establishing the Third Pillar in the financial service arena.
Leveraging experience in London to overhaul the Group’s management framework and operating structure

The bulk of my professional life has been in banking. My banking career began in 1968, when I joined The Tokai Bank, Ltd. (now MUFG Bank, Ltd.), and it continued up to 2004, when I joined Tokai Tokyo Securities Co., Ltd. Around the time I was serving Tokai Bank as Managing Director, I was President & Chairman of Tokai Bank Europe PLC, which was headquartered in London. I also served as President of Tokai Asset Management. During my time in London, a leading financial center, I spearheaded efforts to establish overseas joint ventures and merge Tokai Bank Europe into UFJ Bank Limited (now MUFG Bank, Ltd.), giving me first-hand experience of the dynamism of financial businesses.

From my vantage point in banking, particularly in overseas financial business, I could see that the securities brokerage industry of the time was in a very fragile state. The business model had become obsolete, retail was occupying over 80% of the industry, and there was an overdependence on stock trading. As soon as I took up the post of President of Tokai Tokyo Securities in 2005, I launched a program to overhaul the management framework and operating structure. My rallying cry was “Let’s change ourselves and the things around us.”

These reform efforts continued over the following years. Up until the end of March 2017, we pursued three successive management plans: Innovation Jump Up 5, TT Revolution, and Ambitious 5. Under these plans, we tackled business challenges by diversifying our revenue sources, expanding our business volume, and pursuing sustainable profit growth. For example, we worked with regional banks to form new networks, expanded our market division, and shored up revenue by developing business among high-net-worth customers. These trailblazing efforts, which spanned the past decade or so, have placed the Tokai Tokyo Financial Group on a much firmer operational footing from which we can make great strides in the future.

Management Plan

**Innovation Jump Up 5** (Change)
- Premier House
- Reform the Corporate Governance/Corporate Culture
- Reform the Business Portfolio/Business Model
- Reform the Network
- Reform Products and Services
- Reform Employees’ Role and Productivity
- 5 Reforms Supported by IT Strategy and Alliance Strategy

**TT Revolution** (Expansion)
- Blue Ocean Strategy
- M&A Strategy
- Growth
- Productivity
- Communication
- Customer Loyalty
- Super Community House

**Ambitious 5** (New Stage)
- Leading Player in Asia
- Community & the Middle
- Alliance & Platform
- Expertise
- Humanity
- Risk Management

Please see page 20 for more details
Expanding qualitatively and quantitatively under the Alliance Strategy: Six joint venture securities companies with a total of 1.45 trillion yen in assets under custody as of March 31, 2018.

The Tokai Tokyo Financial Group has actively pursued partnerships and alliances with the leading regional banks. As of March 31, 2018, the Group has six joint venture securities companies with a total assets under custody of 1.4502 trillion yen. These joint ventures contribute more revenue to the Group with each passing year.

My experience in London taught me to follow some fundamental principles when founding joint ventures with regional banks. One such principle is to consider the differences in the corporate culture and organizational climate between a bank and a securities company, and ensure that the bank takes the lead. Another principle is to ensure that the joint venture does not compete with Tokai Tokyo Securities in the territory concerned. In our joint ventures, we managed to establish the ground rules from the outset, and we have led our alliances to success, against the odds that cross-industry alliance tends to fail.

The Group currently has the following joint venture securities companies: YM Securities, Hamagin Tokai Tokyo Securities, Nishi-Nippon City Tokai Tokyo Securities, Senshu Ikeda Tokai Tokyo Securities, Hokuhoku Tokai Tokyo Securities, Utsunomiya Securities (now Tochigin Tokai Tokyo Securities). We are currently preparing to launch a seventh joint venture with The Juroku Bank, Ltd. The banks with whom we founded the joint ventures each have a formidable operating base and clientele in their respective areas. As such, the joint ventures have great potential to achieve sustainable growth by focusing their efforts on cultivating the under-developed regional markets.

Alongside these efforts, we are developing the platform business, whereby we supply peer securities brokerage houses across Japan with the products, infrastructure, and functions they require to upgrade their securities business. As of March 31, 2018, we have provided platform services to 57 securities brokerage houses. In this way, we are building a nationwide network of both joint venture securities companies and platform service recipients.

Responding quickly and rightly to social restructuring and digitalization, and establishing a management model that will last for the next twenty years

I have worked at the front lines of finance for some fifty years now, and I feel that securities and finance are now in the midst of a major paradigm shift. Indeed, Japan’s Financial Services Agency is now looking to restructure the entire financial system, besides just issuing separate guidance to individual securities companies or banks.

There are two social trends in particular that will impact the securities business: social restructuring and digitalization. Regarding social restructuring, Japan’s demographic shift—its shrinking birthrate and aging population—is laying bear wealth inequality between generations and individuals, and companies are facing immense pressure to contribute toward social fairness. As for digitalization, with artificial intelligence and the Internet of Things increasingly permeating people’s lives, the financial sector finds itself with an important mission: to supply cutting-edge services based on advanced financial technology, particularly centering around FinTech. The Tokai Tokyo Financial Group is no exception. The Group’s management model must now focus on providing the most up-to-date systems and facilities to joint venture...
securities companies with banks, as well as to the peer securities brokerage houses that use the Group's platform. But that's not all; we must also deal with the uncertain transitions, including rising competition within the industry and the rising tide of work-style reform.

Naturally, we need to accurately gauge the changing times and upgrade our business model accordingly. But importantly, we must stay one step ahead of the zeitgeist by offering ground-breaking products and services. Today, even major securities companies are getting mocked for embodying structural recession. Against this backdrop, it is my duty, as someone in whom stakeholders have entrusted the management of the Tokai Tokyo Financial Group, to establish a business model that will remain relevant for ten to twenty years and to build an integrated structure across the Group.

The flag bearer’s challenge: Rally the Group to establish the “Third Pillar” in the financial service arena and create a fresh business model

The Tokai Tokyo Financial Group is currently pursuing its five-year (year ended March 31, 2018, to year ending March 31, 2022) management plan, New Age’s Flag Bearer 5. The plan outlines our central vision, to establish the Third Pillar in the financial service arena. To this end, we aim to be a trailblazing leader in tomorrow’s financial sector and carve out our own market.

What does it mean to establish the Third Pillar? It has two meanings. First, it means leveraging our existing platform in such a way that we evolve into a formidable financial group capable of taking on the megabanks and major securities companies. Second, it means creating a fresh business model, one that combines traditional face-to-face brokerage with online brokerage.

To achieve the former, we will develop alliances with banks in the core cities of regional areas, where the megabank-affiliated securities firms and major securities companies have yet to make substantial inroads. We will both strengthen our ties with existing alliances and explore possibilities for forging new alliances. To these partners, we will supply Tokai Tokyo Securities’ products as well as the Group’s high-function platform services, including services related to insurance, M&As, and asset management. Through these efforts, we hope to establish the Great Platform.

As for the latter, focusing either on face-to-face services or on online services entails business risk in that you cannot fully cover customer needs. Accordingly, we will forge a fresh business model that combines the two. With this new model, we can act as a beacon to the industry and the world at large, showing that our way represents the future of the financial business. If you look at today’s face-to-face middle-tier securities companies and major online brokers, you will find none that can take on the megabank-affiliated securities firms and major securities companies. We therefore resolved to act as a flag bearer and rally the Group so that it can take on this exciting opportunity.

Productivity revolution: Boosting the work quality and efficiency and cultivating highly specialized talent

New Age’s Flag Bearer 5 has two major components: “further strengthen operating base and business growth” and “strategy themes.” The first
component outlines a basic strategy for achieving the Great Platform. Specifically, this goal is to be achieved by implementing a unique segment-specific strategy, as well as by advancing trilateral initiatives toward corporate customers and expanding global market operations.

In other words, we will tailor our services to the respective needs of the high-net-worth, matured, and asset-forming segments. At the same time, we will establish a corporate trilateral system, organically integrating the market, corporate sales, and investment banking divisions.

To put these strategies into effect, we need to create a strong driving force. Therefore, we will implement a productivity revolution. The Japanese securities and financial sector has for some time been facing a business problem that is common across the industry: a high-cost structure. Cost burdens are growing heavier with the need to upgrade system infrastructure, ensure compatibility with new financial products such as NISAs, and fulfill fiduciary duty. Unless there is a conscious effort to raise productivity to new heights, these costs will undermine the business, making it impossible to secure a profit. Our group’s greatest asset is its people. It is no hyperbole to say that our chief task as a group is to improve the quality and efficiency of our operations and to build a workforce that has its finger on the pulse.

With this in mind, we are working to boost labor productivity by reviewing our operations and applying a scrap-and-build approach where necessary. Meanwhile, we are actively devoting resources to the task of building a workforce whose skills are highly specialized in particular areas, such as in capital markets, asset management, or high wealth market. When I speak at ceremonies to welcome new employees, I always warn the hires that we don’t want a jack-of-all-trades; we want employees to excel in a particular area. We have invested in diverse forms of training. We also provide unique programs, such as the qualification mileage program, which help employees visualize their level. Additionally, we run an in-house job announcement system, which gives employees opportunities for self-driven learning and career development. These efforts are producing a team of professionals who combine highly specialized skills with well-rounded human character. It is such a team that will generate the securities and financial business of tomorrow.

A board with Outside Directors representing its majority, and an effective governance system that ensures transparent management

The Tokai Tokyo Financial Group has been promoting ESG management for many years. We have focused in particular on fulfilling our corporate social responsibility (the “S” in ESG). For example, in the Chubu area (our home market) and elsewhere, we have encouraged open innovation concept in supporting manufacturing start-ups, provided financial education to university students, and promoted the area’s sports, culture, and art. Additionally, as part of our project to build the Great Platform, we have supplied our human resources and securities and financial platform services to local securities brokerage houses, thereby supporting the local economy and regenerating local businesses.

When it comes to corporate governance (the “G” in ESG), we are proud to be ahead of the curve. For example, our Board of Directors is not only chaired by an Outside Director; five of its nine directors are from outside. Our Audit & Supervisory Committee proactively ensures transparent management under the regime that the committee’s members do not take orders from non-member directors. My management team and I constantly remind ourselves that the Group is a social entity and that its purpose is to provide value to each and every stakeholder.
Expanding the market sales segment and managing capital strategically with a view to becoming an integrated financial group that leads the way in a time of change

Finally, I wish to discuss our medium and long-term strategy and future vision. New Age’s Flag Bearer 5 focuses on qualitative strategies, but we do not neglect quantitative targets. Over the next three to five years, we want to improve our revenue and customer base to the point where we can start taking on major securities companies. We also want to optimize capital management so that we build a solid reputation among capital markets and general society. On the one hand, we will maintain sufficient internal reserves for future investments. On the other, we will return profits to shareholders in the form of generous dividend payments—at a rate several percent greater than that offered by other long-term securities products—so that shareholders feel they are getting value for money.

On the business side, we want to further expand our market division. Market means the core fundamental for a securities business, and the business model can only work with an exceptionally specialized market trading team. As of March 31, 2018, the market division accounted for around 35% of Tokai Tokyo Securities’ revenues, and 65% of the Company’s ordinary income. As part of our efforts to further expand and stabilize the Group’s revenues, we aim to raise the market division to a level where it consistently accounts for more than 60% of ordinary income on a consolidated basis. To this end, we will invest in staff training and infrastructure and upgrade the division’s risk management system to help control market fluctuation risk.

The business climate surrounding the Group changes daily, making it difficult to forecast the future. Risk factors include Japan’s falling birthrate and depopulation, geopolitical risks, and global economic integration. As uncertain and volatile as the times may be, I can assure you that as President and CEO, I will be pouring my heart and soul into making New Age’s Flag Bearer 5 a success, creating the Third Pillar in the financial arena, and achieving sustainable growth for the Group.

We appreciate all your generous support and feedback, and we look forward to continuing our journey with you in the years ahead.

Stock price indices (as of March 31, 2018)

<table>
<thead>
<tr>
<th>EPS</th>
<th>¥54.5</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE</td>
<td>9.0%</td>
</tr>
<tr>
<td>Dividend yield</td>
<td>5.2%</td>
</tr>
</tbody>
</table>
Our aspiration to be an integrated financial group that establishes the “Third Pillar”

Always innovating, and always be the choice customers cannot do without

Over the years, the Tokai Tokyo Financial Group has expanded its network of strategic alliances. It has done so by leveraging its integrated financial assets to found joint venture securities companies with regional banks and deliver platform services to peer securities brokerage houses. Meanwhile, Tokai Tokyo Securities has spearheaded initiatives to strengthen the Group’s competitiveness in preparation for changes in the business environment. These initiatives include a segment-specific strategy for retail customers and trilateral initiatives between market, corporate sales, and investment banking divisions directed toward corporate customers. The Group’s trailblazing initiatives are shared among its extensive alliances and group network as part of a unique business model, the Great Platform. With the Great Platform as the driving force of our businesses, we are pursuing our goal of establishing the Third Pillar in the securities industry that will mark us apart from the major securities companies, bank-owned securities companies, and online brokers.
Integrated financial group establishing the “Third Pillar”
Leading tomorrow’s financial sector and carving out our own markets

Strengthen operating base and more growth

- Segment-specific customer strategy
- Advance trilateral initiatives toward corporate customers and expand global market operations
- Great Platform
- Human capital / organization Productivity revolution

Strategic themes

- Inorganic growth (M&A with other financial industry companies)
- Asset management competence
- Diverse pension and insurance competence
- Banking competence
- Overseas operation enhancement
- Metropolis operation expansion

Networks

- Tokai Tokyo Securities
- Takagi Securities
- Joint venture securities companies
- Peer securities brokerage houses
- Regional banks
- Independent Financial Advisors
- Non-financial mass-market channels

Value

A unique and comprehensive securities company group
Working with partners
Alliances that enable us to provide better value

Partnerships with regional banks
Joint venture securities companies

Alliances with peer securities brokerage houses
Platform

Nationwide networks

Future Growth Strategy

Schemes Designed to Enhance Corporate Value

About the Tokai Tokyo Financial Group
Retail: Expand customer base so as to shore up revenues

In the retail sector, we have implemented a segment-specific strategy (separate approaches for each retail segment) with the aim of expanding the customer base so as to shore up revenue streams. Our approach regarding the high-net-worth segment customers is to develop our Orque d’or brand in Tokyo and improve staff expertise so as to enhance service provision. Additionally, we market comprehensive solutions (including those related to business transfers / inheritance planning and tax compliance) to a broad range of customers in this segment, including small and medium-sized enterprise owners and medical practitioners. Our approach regarding customers of the matured segment is to strengthen advisory services for varying life events (e.g., inheritance planning, retirement) and to handle business with the customers with risk appetite through a dedicated department. For the asset forming segments, our focus is to win potential future customers. To this end, we have launched MONEQUE, a service that caters to people with limited investment experience by offering insurance as an entry point for introducing our housing loans along with securities brokerage services.
Advance trilateral initiatives toward corporate customers and expand global market operations

The market, corporate sales, and investment banking divisions are expanding corporate trilateral initiatives together. The three divisions integrate their expertise organically; for example, corporate sales division is now ardently pushing the products that market and investment banking divisions have developed or underwritten. By expanding the customer base in this way, we are strengthening our business portfolio and thus shoring up our revenues. The market division, which represents one of our core operations, operates on the customer base not only of Tokai Tokyo Securities’ but also on those solid counterparts of joint venture securities companies and platform service recipients. The division is expanding its product lineup to include foreign equities, foreign bonds, and structured bonds. The corporate sales division is aiming to increase its order share by improving broker appraisals for institutional investors. The division is also working to boost sales of new bond issues targeting regional banks and corporate businesses. Alongside these efforts, it is deploying structured bonds, privately placed investment trusts, derivatives, and similar products in a way that more closely meets various asset management needs. As for the investment bank division, this division is focusing on underwriting bonds issued by regional public organizations and businesses, while strengthening its M&A activities among matured SMEs and pursuing IPO and PO opportunities.

Great Platform

New Age’s Flag Bearer 5 commits us to expanding the scope of existing platform businesses and upgrading it into the Great Platform. Part of this involves enhancing our service line-up by adding M&A-related services and the like to our platform businesses, which currently market products, information, system architecture, education & training, and administrative services to joint venture securities companies and peer securities brokerage houses. Alongside this, Tokai Tokyo Securities will expand its existing business mix including services marketed to high-net-worth customers so as to encompass our corporate allies and other customers inside and outside the Group. The Great Platform will provide a collaborative framework among allied banks and investees, allowing us to become an integrated financial Group and establish the Third Pillar in the financial industry.

Productivity revolution and human resource training

To make a success of New Age’s Flag Bearer 5, we must effectively deploy measures to build the Great Platform and expand market division, but we must also streamline and optimize all of our business operations. To this end, we require a productivity revolution. As part of this productivity revolution, Tokai Tokyo Securities will consolidate its outlets, deploy robotic process automation (RPA) technology to implement a business process re-engineering (BPR) strategy, go paperless, and introduce data-based marketing. The productivity revolution will be accompanied by measures for training human talent, our most precious of corporate resources. Our plan is to reorganize personnel systems, prepare a productive working environment, and optimize personnel evaluations with a view to fostering a workforce of highly specialized talent coupled with exemplary character.
Tokai Tokyo Securities’ position and role in the Tokai Tokyo Financial Group

Tokai Tokyo Securities has a cardinal position within the Tokai Tokyo Financial Group. It is like the Group’s engine; it contributes the most significant share of the Group’s consolidated assets and profit, meaning that Tokai Tokyo Securities assumes the role of stable profit generation and corporate direction. But over and above this, Tokai Tokyo Securities serves two vitally important roles for the Group.

First, Tokai Tokyo Securities acts as the Group’s pilot plant, testing and establishing new business models that will generate future profit. This role is particularly essential when it comes to the Group’s strategy of forming alliances, a strategy that requires the Group to deliver advanced services to our partners including regional banks and joint venture securities companies. Tokai Tokyo Securities helps the Group do so by developing the Great Platform, a new business model that upgrades and expands its existing service for the partners.

Second, Tokai Tokyo Securities develops the HR infrastructure and management that the Group’s joint venture securities companies require. In other words, it trains and allocates the right people for the right jobs and provides a common HR infrastructure for the joint venture securities companies. In doing so, it helps earn the Group trust and respect from partners and customers.

Group operating revenue image including the affiliates’ figures on pro-rata basis*

Group ordinary income image including the affiliates’ figures on pro-rata basis*

(Takagi Securities is not included in this chart because of its ordinary losses)

Group assets under custody (Period-end)

* The charts present images of the source of group revenue and income in FYE3/2018, which, being different from our consolidated P/L, include affiliates’ figures on pro-rata basis.

Tokai Tokyo Securities’ efforts to develop the Third Pillar

Leveraging our products and solutions to forge the next era in finance

Toshiyuki Hayakawa
President & COO,
Tokai Tokyo Securities Co., Ltd.
Director of Tokai Tokyo
Financial Holdings, Inc.

Update on New Age’s Flag Bearer 5

Segment-specific strategy for retail operations
For the high-net-worth segment customers, we are expanding our Orque d’or brand, which offers high-quality, highly acclaimed financial and non-financial services. Next spring, we will open an Orque d’or branch in Tokyo, adding to the existing one in Nagoya. We have also made our services more convenient for premium members by extending coverage to their family members. This move has won us business with entire families.

Last year, we launched MONEQUE, a one-stop shop for financial services. As we hoped, MONEQUE has proved popular among young people. We plan to expand the number of outlets and conduct promotional campaigns. Our aim in doing so is to increase awareness of MONEQUE and establish the brand as an approachable drop-in center for financial needs.

Corporate trilateral initiatives
Under our corporate trilateral initiatives, we seek to improve our solutions services by coordinating our cross-divisional operations better. We aim to meet the need for more active foreign equity handling and for the Japanese equity information. To this end, we have significantly strengthened the capacity and focus of our coordination among the market, corporate sales, and investment banking divisions by, for instance, increasing the younger members. We believe that these efforts will increase trading volume of foreign securities and help us capture overseas demand for information on Japanese stocks.

Under such coordinated efforts across divisions, we are also actively helping customers with stock market listings (IPOs), ESG investments, and with M&A transactions for their business succession purposes. These company-wide customer-supports are proving worthwhile with a growing list of satisfied clients.

Productivity revolution
We believe that our business operations should always put the customer first. Part of this means choosing the right products for the customer and explaining them in plain and clear words. But we also need strong executive leadership and efficient ways of working. Accordingly, we have upgraded the tablets that our frontline teams use when interfacing with customers, which helps them make decisions on the spot. We are also going paperless and introducing robotic process automation. These efforts have reduced costs and improved efficiency.

We will continue our efforts to digitize workflows and reform work styles so that we can reduce overall working time without compromising the quality of our operations.

Our strength as the Group’s core securities company, and where our future lies
Our strength lies in our unique position; we are an independent securities company offering outstanding financial products and solution services to customers as well as to regional banks’ securities ventures and peer players in the security brokerage arena. This strength is particularly relevant in Japan today. The country’s future economic growth depends on broadening base and a steady supply of risk money. In other words, the finance industry must make investment simpler, more reliable, and less expensive. This is where we come in; by leveraging our unique position and working with FinTech companies, we can act as a guiding gateway for investors. In doing so, we will raise our profile so that we make our presence known better to investors.
Consolidated operating results

<table>
<thead>
<tr>
<th></th>
<th>FYE3 / 2017</th>
<th>FYE3 / 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenue</td>
<td>(Millions of yen)</td>
<td>65,412</td>
</tr>
<tr>
<td>Net operating revenue</td>
<td>(Millions of yen)</td>
<td>63,728</td>
</tr>
<tr>
<td>Operating income</td>
<td>(Millions of yen)</td>
<td>9,497</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>(Millions of yen)</td>
<td>13,269</td>
</tr>
<tr>
<td>Profit attributable to owners of parent</td>
<td>(Millions of yen)</td>
<td>11,990</td>
</tr>
<tr>
<td>Return on equity</td>
<td>(%)</td>
<td>7.8</td>
</tr>
</tbody>
</table>

In the consolidated period under review, operating revenue increased 30.3% (year-on-year; same applies hereinafter), to ¥85,261 million, and net operating income increased 30.1%, to ¥82,919 million.

Selling, general and administrative expenses increased 20.7%, to ¥65,472 million. Under this category, trading related expenses increased 23.6%, to ¥13,827 million, due to an increase in broker commissions paid to joint venture securities companies in line with their increased sales of foreign bonds; real estate expenses increased 12.0%, to ¥6,797 million; following an increase in the number of group companies; office cost increased 11.5%, to ¥3,043 million; depreciation increased 9.8%, to ¥1,944 million; taxes and duties increased 20.9%, to ¥1,521 million; finally, personnel expenses increased 22.8%, to ¥31,110 million, reflecting the contribution from the new group companies.

Operating income increased 83.7%, to ¥17,446 million. Ordinary income increased 57.8%, to ¥20,939 million. Extraordinary income for the consolidated fiscal year under review primarily comprised ¥11,160 million in gain on bargain purchase and ¥881 million in gain on sales of investment securities.

Profit attributable to owners of parent after deducting income taxes increased 111.8%, to ¥25,397 million.

<table>
<thead>
<tr>
<th></th>
<th>FYE3 / 2017</th>
<th>FYE3 / 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenue</td>
<td>(Millions of yen)</td>
<td>65,412</td>
</tr>
<tr>
<td>Commission received</td>
<td>(Millions of yen)</td>
<td>26,934</td>
</tr>
<tr>
<td>Net trading income</td>
<td>(Millions of yen)</td>
<td>35,737</td>
</tr>
<tr>
<td>Financial revenue</td>
<td>(Millions of yen)</td>
<td>2,741</td>
</tr>
</tbody>
</table>

Commissions received

During the fiscal year under review, total commissions received increased 33.3%, to ¥35,907 million:

(i) **Commission to consignees**: Total commissions to consignees earned by the Group increased 34.7%, to ¥17,415 million. Under this category, volume of stock brokered by Tokai Tokyo Securities decreased 5.9%, to 4,763 million shares; value of stock brokered increased 22.8%, to ¥4,906.3 billion; and commissions to consignees on stock increased 39.0%, to ¥16,952 million, after Takagi Securities was included in the scope of consolidation.

(ii) **Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors**: Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors totaled ¥811 million, an increase of 9.8%. Under this category, commission on stocks increased 25.2%, to ¥450 million, reflecting an increase in underwriting volume. Commission on bonds decreased 4.8%, to ¥360 million.

(iii) **Fees for offering, secondary distribution and solicitation for selling and others for professional investors**: Other fees earned totaled ¥9,836 million, an increase of 54.9%. Under this category, agency commissions from mutual funds / investment trusts increased 18.6%, to ¥4,522 million, and insurance commissions and consultant fees also increased.

Net trading income

In the consolidated fiscal year under review, net trading income totaled ¥45,095 million, an increase of 26.2%. Under this category, trading of stocks posted a profit of ¥22,227 million, an increase of 61.3%, which was attributable to the increase in the trading of foreign stock (centering on U.S. Stocks). Also under this category, trading of bonds and forex reached ¥22,867 million, an increase of 4.1%, which was due to the fact that foreign bonds (particularly structured bonds) performed well in this fiscal year as in the previous one.
**Net financial revenue**

In the consolidated fiscal year under review, net financial revenue totaled ¥1,916 million, an increase of 81.4%. Under this category, financial revenue increased 55.4%, to ¥4,258 million, and financial expenses increased 39.0%, to ¥2,342 million.

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**Consolidated balance sheets (Period end)**

<table>
<thead>
<tr>
<th></th>
<th>FYE3/2017</th>
<th>FYE3/2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net assets</strong></td>
<td>(Millions of yen)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>157,229</td>
<td>174,849</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>(Millions of yen)</td>
<td>742,435</td>
</tr>
<tr>
<td><strong>Equity ratio</strong></td>
<td>(%)</td>
<td>20.9</td>
</tr>
</tbody>
</table>

**Assets**

Total assets as of the end of the fiscal year increased ¥223,185 million (all comparisons in this section are with the end of the previous consolidated fiscal year), to ¥965,621 million. Under this category, current assets increased ¥214,781 million, to ¥903,332 million. The main contributors to this result were cash and deposits, which increased ¥17,910 million, to ¥90,594 million, and trading products (assets), which increased ¥95,604 million, to ¥388,099 million. Noncurrent assets increased ¥8,404 million, to ¥62,289 million, reflecting the fact that investment securities increased ¥6,915 million, to ¥40,969 million.

**Liabilities**

Total liabilities as of the end of the fiscal year increased ¥205,565 million, to ¥790,771 million. Current liabilities increased ¥194,108 million, to ¥704,507 million. One of the main contributors was trading products (liabilities), which increased ¥89,254 million, to ¥281,709 million. Noncurrent liabilities increased ¥11,294 million, to ¥85,652 million. A key contributor to this result was bonds payable, which increased ¥7,217 million, to ¥16,200 million.

**Net assets**

Net assets as of the end of the fiscal year increased ¥17,619 million, to ¥174,849 million. One of the main contributors was retained earnings, which increased ¥18,068 million, to ¥108,761 million.

**Dividends**

<table>
<thead>
<tr>
<th></th>
<th>FYE3/2017</th>
<th>FYE3/2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net income per share</strong></td>
<td>(Yen)</td>
<td>45.73</td>
</tr>
<tr>
<td><strong>Dividend per share</strong></td>
<td>(Yen)</td>
<td>26.00</td>
</tr>
<tr>
<td><strong>Dividends payout ratio</strong></td>
<td>(%)</td>
<td>56.9</td>
</tr>
</tbody>
</table>

Revenues from the operation of the financial instruments business, in which the Group is primarily engaged, tend to be significantly affected by market trends. Accordingly, the Group’s basic policy in determining dividend payment is to return profits to shareholders in a steady and appropriate amount, while at the same time retaining earnings as necessary to enable long-term growth and thus promote corporate value.

The Company’s basic policy on the frequency of dividend payments is to make two payments in each fiscal year—one as an interim dividend and the other as a year-end payment. The interim dividend payment is decided by the Board of Directors and the year-end payment is decided at a General Meeting of Shareholders. The Company’s Articles of Incorporation stipulate that the Company may pay interim dividend in accordance with the provisions of Article 454, Paragraph 5, of the Companies Act.

The annual dividend for the fiscal year under review is ¥38 per share, which comprises an interim dividend of ¥14 per share and a year-end dividend of ¥24 per share. Consequently, on a consolidated basis, the payout ratio was 39.1% and the dividends on equity ratio was 6.0%.

For future fiscal years, the Group will continue to return profits to shareholders in a steady and appropriate amount, and in a way that reflects changes in performance during the year in question.
Future Growth Strategy

Tokai Tokyo Securities Overview of Each Division

Retail division

With a view to delivering products and services that are customized to each customer’s attributes and needs, Tokai Tokyo Securities has segmented its target market into high-net-worth, matured, and asset forming segments.

Management plan progress report

One of the plan’s core strategies was to implement unique segment-specific strategy to enhance originality of marketing. In other words, we established separate strategies for each market segment (high-net-worth, matured, and asset forming). In the high-net-worth segment, we increased customer satisfaction by offering total solutions and non-financial services to customers and their family members. We also made steady progress in growing Orque d’or’s membership and the members’ assets under custody. In the matured segment, we focused on upgrading our services to business owners, such as by introducing inheritance planning and business transfer solutions and data-based marketing. In the asset forming segment (the primary age demographic of which is 20 to 50), we developed a network of outlets under the MONEQUE brand offering securities, insurance, and housing loans. Alongside this, we aggressively expanding our capabilities in the segment by deploying FinTech.

Strengths

- Overwhelming presence in Chubu region. Strong ties with local customers, winning trust from them
- Excellent business with high-net-worth customers. A brand of service that prompts an easy access to asset forming customers.
- Close ties with overseas financial institutions, which enable strong information networking for the sales of foreign equities and foreign bonds.

Strategies

- Pursuit of the uniqueness of the Group by way of segment-specific strategy catered to retail customers
  - High-net-worth segment: Enhance Orque d’or’s services, expand the brand to Tokyo
  - Matured segment: Unified customer development approach taken by Corporate Sales and Retail divisions
  - Asset forming segment: Develop new services under MONEQUE brand

Revenue by geographical region

<table>
<thead>
<tr>
<th>Period</th>
<th>Non-face-to-face</th>
<th>West Japan</th>
<th>East Japan</th>
<th>Chubu</th>
</tr>
</thead>
<tbody>
<tr>
<td>FYE 3/2016</td>
<td>18,717</td>
<td>20,635</td>
<td>18,933</td>
<td>2,725</td>
</tr>
<tr>
<td>FYE 3/2017</td>
<td>16,748</td>
<td>20,835</td>
<td>20,307</td>
<td>2,532</td>
</tr>
<tr>
<td>FYE 3/2018</td>
<td>17,464</td>
<td>20,945</td>
<td>20,607</td>
<td>2,395</td>
</tr>
</tbody>
</table>

Notes: Excludes revenue that was not generated from transactions with customers
Retail includes high-net-worth segment

Revenue by product category

<table>
<thead>
<tr>
<th>Period</th>
<th>Other</th>
<th>Mutual funds</th>
<th>Bonds</th>
<th>Foreign equities</th>
<th>Domestic equities</th>
</tr>
</thead>
<tbody>
<tr>
<td>FYE 3/2016</td>
<td>1,889</td>
<td>18,717</td>
<td>2,852</td>
<td>1,612</td>
<td>5,116</td>
</tr>
<tr>
<td>FYE 3/2017</td>
<td>16,748</td>
<td>20,635</td>
<td>2,274</td>
<td>2,273</td>
<td>5,507</td>
</tr>
<tr>
<td>FYE 3/2018</td>
<td>20,385</td>
<td>20,945</td>
<td>1,929</td>
<td>2,929</td>
<td>6,422</td>
</tr>
</tbody>
</table>

Assets-under-custody by age group of customers

<table>
<thead>
<tr>
<th>Period</th>
<th>&gt;80</th>
<th>70s</th>
<th>60s</th>
<th>50s</th>
<th>40s</th>
<th>30s</th>
<th>20s</th>
</tr>
</thead>
<tbody>
<tr>
<td>FYE 3/2016</td>
<td>5,256</td>
<td>5,111</td>
<td>5,321</td>
<td>5,407</td>
<td>5,767</td>
<td>5,803</td>
<td>5,803</td>
</tr>
<tr>
<td>FYE 3/2017</td>
<td>6,674</td>
<td>6,375</td>
<td>6,553</td>
<td>6,523</td>
<td>7,252</td>
<td>7,395</td>
<td>7,932</td>
</tr>
<tr>
<td>FYE 3/2018</td>
<td>6,676</td>
<td>6,376</td>
<td>6,555</td>
<td>6,362</td>
<td>6,508</td>
<td>6,210</td>
<td>7,395</td>
</tr>
</tbody>
</table>

Notes: Excludes revenue that was not generated from transactions with customers
Retail includes high-net-worth segment
Segment-specific strategy dealing with each segmented retail customer

High-net-worth segment
Tokai Tokyo Securities launched an Orque d’or brand of service for high-net-worth customers in November 2015 to handle such customers’ inquiries and requests from their perspectives. Through this brand, Tokai Tokyo Securities now offers total solutions such as inheritance planning and business transfer solutions to the high-net-worth segment, particularly to business owners and medical practitioners. To cover as many needs as possible, Tokai Tokyo Securities markets two broad service offerings: “business support” including solutions related to what the customers should do with their capitals and self-owned stocks of their businesses, and “total management” including solutions for asset management, inheritance planning, and business owner’s health. In April 2018, Orque d’or made its debut in Tokyo. In spring 2019, an Orque d’or salon will open in Nihonbashi Takashimaya Mitsui building.

Matured segment
The customers in this segment are typically aged 50 and over. Accordingly, our focus in this segment is on expanding advisory services related to life events such as inheritance planning and retirement. To make business even brisker and contribute further to retail revenue, we offer services tailored to elderly customers, including an asset assessment service and a service that provides for the final stage of life.

Asset forming segment
This segment constitutes one of the Group’s core next-generation businesses. MONEQUE, which has five outlets in Tokyo and Aichi (as of September 2018), provides a one-stop shop for this target market, offering securities, insurance, and housing loans. In Chubu (our main market), we make a wholesale marketing approach by visiting workplace of some selected companies and organizing events to educate young would-be customers there about building wealth.

MONEQUE: a one-stop channel targeting asset forming customers

Wholesale marketing approach to the employees of some chosen companies

Seminar organized specifically for the employees of selected companies at Premier Salon Toyota
Future Growth Strategy
Tokai Tokyo Securities Overview of Each Division

Trilateral initiatives toward corporate customers
The Tokai Tokyo Financial Group pursues corporate trilateral initiatives, organically integrating the market, corporate sales, and investment banking divisions.

- Each division contributes their expertise in the areas of product origination, M&A mediation, underwriting, and corporate sales so as to deliver right solutions to corporate customers on the basis of trilateral coordination among three divisions.
- The synergy enhances the added value delivered to customers and expands business opportunities

Market division
With its customer base growing steadily year by year, the market division has grown into a core business of the Group. The division has cultivated a talented team and an expansive system infrastructure, through which it offers a broad range of products (such as foreign equities, foreign bonds, structured bonds, and derivatives) to the customers of Tokai Tokyo Securities, joint venture securities companies, and platform service recipients. In this way, the division is working to meet varied needs and strengthen its trading prowess.

Strengths
- Expansive product sales network, encompassing joint venture securities companies and platform service recipients
- Information provision capabilities by strengthening collaboration with overseas business partners
- Broad product mix, including foreign equities, foreign bonds, and structured bonds

Management plan progress report
To cater to as many needs as possible, the division has strengthened its product offerings by insourcing structured bonds and introducing e-trading of Japanese Government Bonds. Overseas, the division has expanded business in global markets, through allied financial institutions and local subsidiaries. It also started handling foreign equity options, as part of an effort to diversify trading methods.

Revenue by product category

Revenue source comparison

Note: Figures are based on Tokai Tokyo Securities’ managerial accounting data
Corporate sales division

The corporate sales division excels in broking and information providing. These abilities help the division market optimal solutions to a broad range of corporate customers. Aiming to win customer trust and strengthen relationships, the division has focused on developing an optimal product mix covering a variety of business formats, while offering structured products (such as structured bonds and investment trusts) to cater to varied customer needs.

Strengths

- Excellent ability to market newly issued municipal bonds in collaboration with investment banking division
- Excellent ability to formulate and market privately placed investment trusts for financial institutions.
- High quality information service to institutional investors made possible by providing excellent research and organizing analyst meetings
- Broking execution caliber right next to that of Japan’s major securities firms

Management plan progress report

Regarding business among institutional investors, in September 2017, the division launched the Tokai Tokyo Research Web in collaboration with Tokai Tokyo Research Institute, and in December that year, it started investment advisory services. The division has placed itself on a footing where it can provide high-quality information about Japanese stocks to institutional investors not only in Japan but also overseas. This series of endeavors include compliance with the revamped Markets in Financial Instruments Directive (MiFID II), which came into force in Europe in January 2018.

As for regional banks, despite the challenging business climate, the division has taken action to meet varied customer needs. For example, working with the investment banking division, it now offers investment proposals on privately placed investment trusts in addition to newly issued bonds.

Investment banking division

The division focuses on products and services such as IPOs, public stock offerings, and M&As, which it markets using its formidable retail sales network and accessing expansive wholesale customer base in Chubu. The division’s M&A services cover overseas and cross-border M&A’s, which is possible thanks to the deal sourcing abilities of the Group and joint venture securities companies.

Management plan progress report

In the bond business, the division continues to demonstrate an exceptional ability to formulate bond-issuing proposals for public/governmental bodies and market such bonds to investors. As a testament to these efforts, Tokai Tokyo Securities is now (as of FYE March 2018) ranked sixth in the industry in terms of municipal bonds underwriting value. The division’s IPO business is brisk too, with division helping many firms in Chubu and elsewhere to make public offerings.

Tokai Tokyo Securities’ league table ranking in FYE3/2018

|                    | Operating revenue
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds overall: Underwriting value 6th</td>
<td>¥252,490 million</td>
</tr>
<tr>
<td>Municipal bonds: Underwriting value 6th</td>
<td>¥147,900 million</td>
</tr>
<tr>
<td>Initial public offerings: Underwriting value 9th</td>
<td>¥2,297 million</td>
</tr>
<tr>
<td>Value</td>
<td>¥252,490 million</td>
</tr>
<tr>
<td>Share</td>
<td>1.68%</td>
</tr>
<tr>
<td>Transactions</td>
<td>156</td>
</tr>
</tbody>
</table>

Note: Scheduled bonds are public bonds issued periodically on a predetermined schedule.
An alliance strategy to create the Third Pillar

Alliance strategy with regional banks and a platform service promotion toward peer securities brokerage houses

There are two key growth drivers for our group: the first is our strategic alliances with regional banks; the second is our platform business, in which we provide peer securities brokerage houses with the products and services they require.

Our management plan, New Age’s Flag Bearer 5, sets out a key strategy for further enhancing our operating foundation: develop the Great Platform—an innovative framework for facilitating business succession M&As and delivering cutting-edge FinTech services.

The Great Platform and our alliances
Affiliated joint venture securities companies with regional banks

The Group has six affiliated joint venture securities companies with prominent regional banks. As of March 31, 2018, the six ventures have a total of 1.45 trillion yen in assets under custody, and in the fiscal year ended March 31, 2018, they posted a combined operating revenue of 28.2 billion yen. In 2019, we plan to launch our seventh affiliated joint venture securities company, this time with the Juroku Bank, Ltd. We remain committed to our strategy of integrating each regional bank’s robust customer base with our formidable expertise in retail, corporate, and marketing operations, so as to maximize the synergistic potential of the joint ventures and strengthen our alliances.

Assets under custody of the 6 affiliated joint venture securities companies

Affiliated joint venture securities companies (Assets under custody and number of branches as of March 31, 2018)

YM Securities Co., Ltd.
Began operating: October 10, 2007
Sales offices: 22 (mainly in Yamaguchi, Hiroshima, Fukuoka, and Tokyo)
Assets under custody: ¥380,160 million
Alliance partner: Yamaguchi Financial Group

Nishi-Nippon City Tokai Tokyo Securities Co., Ltd.
Began operating: May 6, 2010
Sales offices: 19 (mainly in Fukuoka, Miyazaki, Kumamoto, and Kagoshima)
Assets under custody: ¥274,135 million
Alliance partner: Nishi-Nippon Financial Holdings

Hokuhoku Tokai Tokyo Securities Co., Ltd.
Began operating: January 4, 2017
Sales offices: 5 (mainly in Hokkaido, Ishikawa, Toyama, and Fukui)
Assets under custody: ¥140,987 million
Alliance partner: Hokuhoku Financial Group

Hamagin Tokai Tokyo Securities Co., Ltd.
Began operating: November 4, 2008
Sales offices: 17 (mainly in Kanagawa and Tokyo)
Assets under custody: ¥438,799 million
Alliance partner: The Bank of Yokohama

Senshu Ikeda Tokai Tokyo Securities Co., Ltd.
Began operating: September 2, 2013
Sales offices: 7 (mainly in Osaka and Hyogo)
Assets under custody: ¥121,356 million
Alliance partner: Senshu Ikeda Holdings

Tochigin Tokai Tokyo Securities Co., Ltd.
(formerly Utsunomiya Securities Co., Ltd.)
Began operating: November 1910
Sales offices: 6 (in Tochigi)
Assets under custody: ¥96,796 million
Alliance partner: The Tochigi Bank
Comprehensive business alliance with The Juroku Bank, Ltd.

In March 2018, we agreed to a comprehensive business alliance with Gifu City-headquartered The Juroku Bank, Ltd., and we plan to launch a joint venture securities company with the bank in 2019. Founded in 1877, The Juroku Bank is a traditional regional bank with a solid customer base in the Tokai region. The scope of the business alliance is broad; as well as securities and banking, it extends to market trading, online brokerage, business transfers, and FinTech. By pooling and optimizing our respective resources, we will strengthen our operating bases and contribute to local economic growth. We are also integrating our high-function platform with the bank’s customer base and service lineup. It would be exciting if we can develop a new local financing model through this integration while also we can demonstrate in Japan and the wider world that our group represents the future in finance.

Platform business with peer securities brokerage houses

Leveraging the experience we gained from joint operations with regional banks, we have developed a platform through which we provide peer securities brokerage houses with the products, infrastructure, and services they require. As of FYE March 2018, we are providing 57 securities brokerage houses with products including foreign equities, foreign bonds, and structured bonds, systems, and employee training services.
Overview of strategic subsidiaries

With its holding company, Tokai Tokyo Financial Holdings, at the core, the Group consists of 21 Japan-based affiliates and six overseas subsidiaries. Many of the Group’s members are “strategic subsidiaries”—subsidiaries that have their own distinct strategic focus. These include Tokai Tokyo Wealth Consulting, which focuses on delivering optimal solutions to high-net-worth customers; Tokai Tokyo Research Institute, which engages in market research and corporate analysis; and Tokai Tokyo Academy, which delivers education and training services. Through these strategic subsidiaries, the Group offers one-stop services to cover a wide range of securities and financial needs.

Tokai Tokyo Wealth Consulting

Tokai Tokyo Wealth Consulting provides comprehensive consulting services addressing inheritance planning, real estate, and other asset-related topics to clients of the companies in the Tokai Tokyo Financial Group.

Tokai Tokyo Wealth Consulting provides consulting services to individual customers by keeping them informed of the latest tax regulation and conducting “asset diagnosis service,” which assesses customer’s asset holdings, and offers consulting services to business owners with respect to inheritance planning, M&A and other matters.

Tokai Tokyo Research Institute

As the Group’s financial market analysis and research institute, Tokai Tokyo Research Institute conducts analysis and research on macroeconomic and financial markets of Japan and overseas and keeps the Group’s individual, corporate, and institutional investor customers informed of valuable investment information through reports, seminars, and online videos.

The institute is advancing a unique strategy of leveraging its global network to enhance industry and corporate research in the Chubu region.

Tokai Tokyo Business Service

Tokai Tokyo Business Service was founded in July 2008 to provide the back-office functions and system infrastructure shared by the Group’s affiliated securities firms and other companies.

Tokai Tokyo Business Service follows a “shared service” concept for its management and system infrastructure in which it applies its accumulated expertise of Tokai Tokyo Securities to secure consistent quality and efficiency of the Group operations and contribute to reducing costs throughout the Group.

Expanding the Group

Takagi Securities

Tokai Tokyo Financial Holdings acquired Osaka City-headquartered Takagi Securities as its consolidated subsidiary in April 2017. Takagi Securities, a middle-tier securities company with a heritage dating back to 1873, maintains a steady growth path as a trusted household asset solutions provider founded on customer-first principles. After joining the Group, Takagi Securities restructured its business, improving its revenues as a result. In FYE March 2018, it posted 6.2 billion yen in net operating revenue, a year-on-year increase of 18.7%. Operating profit (after deducting taxes and dues) amounted to 5.4 billion yen, a 167% year-on-year increase.

ETERNAL

Tokai Tokyo Financial Holdings acquired Eternal, an insurance agency operating nationwide, as its consolidated subsidiary in March 2017. Eternal operates 57 walk-in insurance outlets called “Insurance Terraces,” which promise insurance services in a “welcoming and comfortable café-style setting.” Understanding the potential of this welcoming ethos, the Tokai Tokyo Financial Group is working to expand Eternal’s network of outlets and coordinate its business operations with that of MONEQUE, a group brand targeting asset forming customers. In this way, the Group is creating synergy with Eternal and expanding the customer base.

Investment in asset management companies

All Nippon Asset Management (ANAM)

All Nippon Asset Management (ANAM) was established based on a business model to provide regional banks with an independent asset management platform not affiliated with any existing financial corporate group. ANAM offers services to enhance the asset management functions of regional banks. (Asset portfolio value of 268.2 billion yen as of March 31, 2018)
Basic approach
The Tokai Tokyo Financial Group considers the strengthening and enhancement of corporate governance to be a top management priority, and so it maintains an operating structure facilitating swift decision making and business execution. Management seeks to attain continuous business growth and raise corporate value over the long term by conducting fair and highly transparent management activities to earn and maintain the full trust of all stakeholders.

Corporate governance framework
The Company’s corporate governance clearly delineates the functions of "business execution" and "management supervision." On June 29, 2016, the Company converted itself from being a Company with an Audit & Supervisory Board to a Company with an Audit & Supervisory Committee with the objective of strengthening the functions of both the Board of Directors and the Audit & Supervisory Committee. The Company adopted the corporate governance framework presented below for its management and administrative organization for management decision making, business execution, and supervision.

Guidelines for Corporate Governance (Japanese)

Corporate Governance Report

Corporate governance framework

General Meeting of Shareholders
Appointment

Board of Directors

Directors serving on the Audit & Supervisory Committee
Directors who are not Audit & Supervisory Committee Members

Audit & Supervisory Committee

Outside Directors (Audit & Supervisory Committee Members)
Directors (Audit & Supervisory Committee Members)

Chairperson of the Board of Directors (Outside Director)
Outside Directors
Directors

Non-executive directors

Executive directors

President
Chief Executive Officer
Directors

Audit

Executive Officers
General Planning Group
Strategic Planning Group
Information & Product Strategy Group
Digital Strategy Group
Comprehensive Risk Management Group

Management Meetings

Comprehensive Risk Management Committee
Human Resources Committee

Management (Execution of Business)

Audit of Business Execution

Accounting Auditor

Audit Department
Nomination and Remuneration Committee

Collaborate
Instruct
Report
Inquire
Report
Aspiring to be an integrated financial group that is trusted and esteemed by all stakeholders

As a member of financial community, we must earn people’s trust. That is why we have been strengthening our corporate governance for many years. President Ishida introduced the present system of corporate governance back in 2006. Under this system, we appoint Outside Directors for the primary purpose of ensuring a transparent decision-making process. Outside Directors now make up the majority of our directors (five out of nine). Our system also clarifies the roles of executive and non-executive directors. Such clarification has been praised for the way it enables more effective monitoring and checking management. In June 2016, we changed our corporate structure to that of a “Company with an Audit & Supervisory Committee.” This structure allows for slicker internal decision-making by designating extensive discretionary authority to executive directors. At the same time, it frees up the Board of Directors to devote more time to discussing major decisions, including business strategy and basic policies. The Board of Directors, by rigorously and frankly debating at the board meeting, plays a critical role in strengthening corporate governance and determining the Group’s general direction.

Over the years, we have worked to develop the Group’s network, founding affiliated joint venture securities companies with regional banks and undertaking strategic M&As. A larger network requires a more extensive system of governance. Accordingly, as the Group’s holding company, we have established a dedicated department for auditing the affiliates of the Group, and we work with the governance bodies of such affiliates to improve Group-wide governance.

Japan’s Corporate Governance Code was updated in June this year, with a number of new principles added. One new principle is for companies to disclose the policies and procedures under which their boards hire and fire top-level managers. Another is to determine executive remuneration based on an impartial and transparent process. We take these new principles very seriously and we will ensure that the Group complies with them and other principles wholeheartedly. Such compliance efforts will help us achieve our aspiration: to be an integrated financial group that is trusted and esteemed by all stakeholders.

**POINT**

Since June 2007: Board of Directors’ Chairperson selected from among Outside Directors
Since June 2013: Outside Directors are the majority in the Board of Directors
June 2016: Changed corporate structure to that of a Company with an Audit & Supervisory Committee. Under the new structure, executive directors have extensive discretionary power to enable slicker internal decision-making, while also giving the Board of Directors more time to discuss major business decisions and strategic projects.

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**Corporate governance steps**

- **2006** Appointed Outside Directors
- **2006** Outside members became the majority in the Audit and Supervisory Committee
- **2006** Clarified the roles of executive and non-executive directors
- **2007** Board of Directors’ Chairperson selected from among Outside Directors
- **2013** Outside Directors became the majority in Board of Directors
- **2016** Changed corporate structure to that of a Company with an Audit & Supervisory Committee.
### Main characteristics of the Company’s corporate governance

#### Organizational framework
The Company has adopted the organizational framework that embraces an Audit & Supervisory Committee in accordance with the Companies Act with the objectives of strengthening the supervisory functions of the Board of Directors, facilitating swift decision making by enabling the Board of Directors to delegate the execution of important business matters to executive directors, and thus making it easier for the Board of Directors Meetings to engage in deeper discussion of strategic issues. The Company also maintains a Nomination and Remuneration Committee to ensure objectivity and transparency in decision-making processes associated with nominating director candidates, and appointing, dismissing, and remunerating directors.

#### Enhancing functions of the Board of Directors and the Audit & Supervisory Committee
The Company ensures the effectiveness of the Board of Directors while maintaining a high level of transparency and fairness by having Outside Directors represent the majority of the Board of Directors and, in principle, appointing an Outside Director as the Chairperson of the Board. The Board of Directors presently comprises five Outside Directors, including three who concurrently serve on the Audit & Supervisory Committee. By maintaining a majority of Outside Directors on both the Board of Directors and Audit & Supervisory Committee, the Company maintains a heightened level of internal checks and balances.

#### Distinguish clearly the managerial functions of “business execution” and “management supervision”
The Company’s directors each have clearly defined roles and are individuals holding positions of either executive directors primarily in charge of business execution or non-executive directors primarily in charge of overseeing business execution.

### Board of Directors
The Company’s Board of Directors comprises nine individuals: five directors (including two Outside Directors) who do not serve on the Audit & Supervisory Committee and four directors (including three Outside Directors) who serve on the Audit & Supervisory Committee. An Outside Director serves as the Chairperson of the Board. The Board of Directors meets, in principle, once a month to make decisions on fundamental Company policy concerning management issues and important matters as provided for under the law and to deliberate the appropriateness of each agenda item as well as for each director to conduct supervisory activities concerning the execution of their duties. Upon becoming a Company with an Audit & Supervisory Committee, the Board of Directors established a corporate environment supporting an appropriate level of risk taking by executive directors and created a structure to facilitate swift decision making and business execution by delegating decisions on important business matters to executive directors.

### Audit & Supervisory Committee
The Audit & Supervisory Committee comprises four individuals, including three Outside Directors, with an Outside Director serving as the Chairperson of the committee. The primary function of the Audit & Supervisory Committee is to conduct legal audits. The committee formulates and operates internal control systems and also supervises and verifies the functioning of the systems. The committee also audits the directors’ execution of duties by attending and receiving reports from the Board of Directors Meetings and other important meetings, inspecting important corporate documents, receiving audit orders and reports from the Audit Department, and receiving reports from accounting auditors.

### Nomination and Remuneration Committee
The Company maintains a Nomination and Remuneration Committee to ensure objectivity and transparency in decision-making processes associated with nominating director candidates, and appointing, dismissing, and remunerating directors. The committee conducts deliberations concerning candidates for the position of director and deliberates the structure, level, and individual content of remuneration for each director with reference to remuneration data in the Company’s fields of business provided by an external database. The committee submits the details of the deliberations to the Board of Directors.

The Nomination and Remuneration Committee comprises a minimum of four committee members, including the Chief Executive Officer. The majority of the committee members are Outside Directors, and, in principle, an Outside Director serves as the Chairperson of the committee. The committee currently comprises one internal director (the Chief Executive Officer) and three Outside Directors.
Outside Directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ichiro Mizuno</td>
<td>Mr. Mizuno was selected to contribute his abundant experience and deep insight as a corporate executive to enhancing the effectiveness of the decision-making and supervisory functions of the Board of Directors.</td>
</tr>
<tr>
<td>Tsunehiro Nakayama</td>
<td>Mr. Nakayama was selected to contribute his abundant experience and deep insight as a financial institution corporate executive to enhancing the effectiveness of the decision-making and supervisory functions of the Board of Directors.</td>
</tr>
<tr>
<td>Mitsuhiro Yasuda</td>
<td>Mr. Yasuda was selected to contribute his abundant experience and deep insight as a lawyer to enhancing the effectiveness of the decision-making and supervisory functions of the Board of Directors.</td>
</tr>
<tr>
<td>Keisuke Inoue</td>
<td>Mr. Inoue was selected to contribute his abundant experience and deep insight as a financial institution corporate executive to enhancing the effectiveness of the decision-making and supervisory functions of the Board of Directors.</td>
</tr>
<tr>
<td>Fumio Inui</td>
<td>Mr. Inui was selected to contribute his abundant experience and deep insight from serving in positions at governmental and non-life insurance companies to enhancing the effectiveness of the decision-making and supervisory functions of the Board of Directors.</td>
</tr>
</tbody>
</table>

Analysis and assessment of the effectiveness of the Board of Directors in FYE3/2018

The Company has conducted an analysis and assessment of the effectiveness of the Board of Directors with the objectives of enhancing the functioning and effectiveness of the Board of Directors and realizing continuous improvement in corporate value by deepening recognition, sharing insight, and improving approaches concerning the Board’s course of action and the issues the Board faces.

**Analysis and assessment method**

Directors on the Board of Directors completed confidential self-evaluation questionnaires designed to determine if the Board of Directors is appropriately formulated to ensure diversity and enable the directors to fulfill their duties. The directors conducted an uninhibited discussion of aggregated questionnaire results, and the aggregated results along the analysis of the findings from the discussion were deliberated at a Board of Directors Meeting.

**Analysis and assessment results**

The Company determined from the analysis and assessment that the Board of Directors was generally functioning effectively. The current formation of the Board of Directors was given high marks for its emphasis on the role of Outside Directors by continually maintaining a majority representation by Outside Directors with diverse backgrounds and appointing an Outside Director as the Chairperson of the Board of Directors. Since changing its structure to that of a Company with an Audit & Supervisory Committee, the Company has taken further measures to boost board effectiveness, which have also garnered praise. For example, it has delegated extensive discretionary power to executive directors so that the Board of Directors can devote more time to discussing major business decisions. Similarly, Outside Directors are fully briefed ahead of board meetings.

The feedback has also highlighted areas for improvement. Board membership should be more diverse so as to reflect different gender, international perspectives, and industry backgrounds. Also, important items of business should be discussed from an earlier stage. Moreover, there were suggestions about how the Board should oversee the Group companies.

Analysis and assessment of the effectiveness of the Board of Directors in FYE3/2018 (Japanese)

Basic approach

The Tokai Tokyo Financial Group considers compliance to be one of its most-important managerial tasks, and it has put in place a system for ensuring the propriety of operations. The Group has established and enforces basic standards such as the Basic Compliance Policy and the Ethical Code of Conduct. As a risk management framework, under the Risk Management Rules, the Group has defined the departments responsible for each risk category, and it comprehensively manages the overall risk of the Company and subsidiaries. It has also established the Comprehensive Risk Management Committee as the Company’s organization for deliberations and planning concerning risk management policy and matters deemed necessary for management methods formulation and risk management practices. The results and proposals are reported and submitted to the Board of Directors.

Compliance framework

As a framework for securing the effectiveness of measures to enforce the strict observance of laws and regulations, the Group has set up the Comprehensive Risk Management Committee as an organization to report on the measures to be taken, and it has established the Comprehensive Risk Management Department as the department specialized in providing guidance, monitoring, and coordination on compliance.

Risk management framework

Under the “Basic Risk Management Policy” and the “Risk Management Rules,” the Group has defined the departments responsible for each risk category, and it comprehensively manages the overall risk of the Company and its Group companies. It has also established the Comprehensive Risk Management Committee as the organization for deliberations and planning concerning risk management policy and matters deemed necessary for management methods and risk management practices. The results and proposals are reported and submitted to the Board of Directors.

In addition, as a crisis management framework for disaster situations, etc., the Group has clarified responsibilities under the “Crisis Management Basic Policy for Disasters, Etc.” and the “Crisis Management Guidelines for Disasters, Etc.” It is also working to put in place and promote a comprehensive and systematic disaster prevention, emergency response, and recovery framework. The Comprehensive Risk Management Department has been established as the department specialized in providing guidance, monitoring, and coordination concerning these various risks.
Three lines of defense for risk management

The Company constantly seeks to fortify its risk management system and employs a “three lines of defense” approach of risk identification, assessment, and monitoring.

Tokai Tokyo Securities’ risk management framework

Tokai Tokyo Securities established a Credit & Market Risk Committee and Finance & Accounting Committee. The Company also drew up related rules and established a framework facilitating the routine practices of analyzing, managing, and reporting market risk, credit risk, and liquidity risk. To secure the sound management and financial standing of Tokai Tokyo Securities, the Board of Directors has set lower limits for capital adequacy ratios, the maintenance of which or better is designated a basic policy of risk management operations.

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Risk Management</td>
<td>Based on the “Risk Management Rules,” the risk controlling department, which is independent from the trading execution department, performs risk control by calculating risk, positions, and profit or loss on a daily basis.</td>
</tr>
<tr>
<td>Credit Risk Management</td>
<td>Based on the “Risk Management Rules,” the losses that could occur as a result of nonperformance by the transaction counterparty are managed so that they can stay within a predetermined limit. In addition, in accordance with the “Credit Risk Rules,” credit risk allowance is determined and managed thereafter for each counterparty on the basis of their financial strength.</td>
</tr>
<tr>
<td>Liquidity Risk Management</td>
<td>Based on the “Liquidity Risk Management Rules,” the departments responsible for financing monitor and manage suitably the cash position on a daily basis. Moreover, they prepare a contingency plan to deal with financial market volatility, and they present a monthly funding forecast periodically to the Finance &amp; Accounting Committee.</td>
</tr>
</tbody>
</table>
Board of Directors

Tateaki Ishida
President & CEO
(Representative Director)

Profile
April 1968 Joined The Tokai Bank, Ltd. (now MUFG Bank, Ltd.)
June 1996 Managing Director, The Tokai Bank, Ltd.
May 2004 Advisor of the Company
June 2004 Deputy President (Representative Director) of the Company
June 2006 President & CEO (Representative Director) of the Company (current position)
April 2009 Chairman & CEO (Representative Director),
Tokai Tokyo Securities Co., Ltd. (current position)

Attendance at Board of Directors meetings: 13/13

Toshiyuki Hayakawa
Director

Profile
April 1978 Joined The Tokai Bank, Ltd.
September 2007 Executive Officer of the Company
April 2008 Managing Executive Officer of the Company
April 2012 Deputy President (Representative Director),
Hamagin Tokai Tokyo Securities Co., Ltd.
April 2014 Senior Managing Executive Officer, Head of Strategic Business Group of the Company
April 2015 President & COO (Representative Director),
Tokai Tokyo Securities Co., Ltd. (current position)
June 2015 Director of the Company (current position)

Attendance at Board of Directors meetings: 13/13

Hiroshi Maezono
Deputy President
(Representative Director)
Aide to the CEO

Profile
April 1984 Joined The Tokai Bank, Ltd.
April 2007 General Manager, Strategic Planning Department of the Company
April 2010 Executive Officer, Head of Strategic Business Group,
General Manager, Strategic Planning Department of the Company
April 2014 Managing Executive Officer, Head of Planning & Administration Unit (Internal Control Supervisory Manager),
Tokai Tokyo Securities Co., Ltd.
April 2016 Senior Managing Executive Officer, Head of General Planning Group of the Company
June 2017 Deputy President (Representative Director) of the Company (current position)
Director, Tokai Tokyo Securities Co., Ltd. (current position)

Attendance at Board of Directors meetings: 10/10

Ichiro Mizuno
Outside Director
Chairperson of the Board of Directors

Profile
April 1966 Joined Mitsubishi Corporation
June 1997 General Manager, Finance Dept., Mitsubishi Corporation
June 2001 Member of Board, Executive Vice President, and CFO, Mitsubishi Corporation
April 2006 Member of Board and Senior Executive Vice President,
Mitsubishi Corporation
June 2010 Director, Tokai Tokyo Securities Co., Ltd.
June 2013 Director of the Company (current position)
June 2016 Chairperson of the Board of Directors of the Company (current position)

Attendance at Board of Directors meetings: 13/13

Tsunehiro Nakayama
Outside Director

Profile
April 1971 Joined the Industrial Bank of Japan, Limited (now Mizuho Bank, Ltd.)
April 2004 Deputy President (Representative Director) of Mizuho Corporate Bank, Ltd.
May 2007 Representative Director and Chairman of Merrill Lynch Japan Securities Co., Ltd.
March 2009 Representative Director, Chairman and President of Merrill Lynch Japan Securities Co., Ltd.
Japan Country Executive of Bank of America Group
July 2010 Representative Director and Chairman of Merrill Lynch Japan Securities Co., Ltd.
June 2017 Director of Merrill Lynch Japan Securities Co., Ltd.
June 2018 Director of the Company (current position)

Attendance at Board of Directors meetings: ~
## About the Tokai Tokyo Financial Group

### Schemes Designed to Enhance Corporate Value

Future Growth Strategy

Data Section

### Audit & Supervisory Committee

- Tateaki Ishida
  - Director
  - President & CEO
  - Executive
- Hiroshi Maezono
  - Director
  - Deputy President
  - Executive
- Toshiyuki Hayakawa
  - Director
- Ichiro Mizuno
  - Outside Director
- Tsunehiro Nakayama
  - Outside Director
- Masato Okajima
  - Director
- Mitsuhiro Yasuda
  - Outside Director
- Keisuke Inoue
  - Outside Director
- Fumio Inui
  - Outside Director

### Nomination and Compensation Committee

### Comprehensive Risk Management Committee

### Human Resources Committee

### Committee membership

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tateaki Ishida</td>
<td>Director</td>
<td>Audit &amp; Supervisory Committee, Nomination and Compensation Committee, Comprehensive Risk Management Committee, Human Resources Committee</td>
</tr>
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<td>Hiroshi Maezono</td>
<td>Director</td>
<td>Audit &amp; Supervisory Committee, Nomination and Compensation Committee, Comprehensive Risk Management Committee</td>
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<td>Outside Director</td>
<td>Audit &amp; Supervisory Committee, Nomination and Compensation Committee, Comprehensive Risk Management Committee</td>
</tr>
</tbody>
</table>

**About the Directors**

- **Tateaki Ishida**
  - April 1983: Joined Tokyo Securities Co., Ltd. (currently, the Company)
  - October 2013: Managing Executive Officer, Head of the Operation Unit, General Manager of Funds Department, Tokai Tokyo Securities Co., Ltd.
  - June 2016: Director and Full-time Audit & Supervisory Committee Member of the Company (current position)

- **Hiroshi Maezono**
  - April 2003: General Manager, Financial Department of the Company
  - October 2013: Managing Executive Officer, Head of the Operation Unit, General Manager of Funds Department, Tokai Tokyo Securities Co., Ltd.

- **Toshiyuki Hayakawa**
  - April 2015: Managing Executive Officer of the Company
  - June 2015: Full-time Audit & Supervisory Board Member of the Company
  - June 2016: Director and Full-time Audit & Supervisory Committee Member of the Company (current position)

- **Ichiro Mizuno**
  - Profile:
    - April 1977: Registered as Attorney at Law
    - January 1987: Partner, Mitsui, Yasuda, Wani & Maeda
    - May 2005: Partner, Linklaters
    - July 2007: Partner, Nishimura & Asahi
    - March 2015: Of Counsel, Marunouchi International Law Office (current position)
  - June 2015: Audit & Supervisory Board Member of the Company
  - June 2016: Director and Chairperson of the Audit & Supervisory Committee of the Company (current position)

- **Tsunehiro Nakayama**
  - Profile:
    - April 1983: Joined Tokyo Securities Co., Ltd. (currently, the Company)
    - February 2003: General Manager, Financial Department of the Company
    - October 2013: Managing Executive Officer, Head of the Operation Unit, General Manager of Funds Department, Tokai Tokyo Securities Co., Ltd.
  - June 2016: Director and Full-time Audit & Supervisory Committee Member of the Company (current position)

- **Masato Okajima**
  - Profile:
    - April 1983: Joined Tokyo Securities Co., Ltd. (currently, the Company)
    - February 2003: General Manager, Financial Department of the Company
    - October 2013: Managing Executive Officer, Head of the Operation Unit, General Manager of Funds Department, Tokai Tokyo Securities Co., Ltd.
  - June 2016: Director and Full-time Audit & Supervisory Committee Member of the Company (current position)

- **Mitsuhiro Yasuda**
  - Profile:
    - April 1977: Registered as Attorney at Law
    - January 1987: Partner, Mitsui, Yasuda, Wani & Maeda
    - May 2005: Partner, Linklaters
    - July 2007: Partner, Nishimura & Asahi
    - March 2015: Of Counsel, Marunouchi International Law Office (current position)
  - June 2015: Audit & Supervisory Board Member of the Company
  - June 2016: Director and Chairperson of the Audit & Supervisory Committee of the Company (current position)

- **Keisuke Inoue**
  - Profile:
    - April 1973: Joined Sumitomo Life Insurance Company
    - December 2002: President and CEO, Sumitomo Mitsui Asset Management Company, Limited
    - June 2009: Director and Executive Vice President, Mitsui Life Insurance Co., Ltd.
    - July 2013: Head, Azabu Economic Research Institute (current position)
    - June 2016: Director and the Audit & Supervisory Committee Member of the Company (current position)
  - September 2017: Auditor, Cardif Assurances Risques Divers Japan (current position)

- **Fumio Inui**
  - Profile:
    - April 1970: Joined the Ministry of Finance
    - December 2002: Director General, Planning and Coordination Bureau, Financial Services Agency
    - July 2001: Director, Development Bank of Japan Inc.
    - June 2015: Chairman, Kinzai Institute for Financial Affairs, Inc. (current position)
  - June 2016: Director and Audit & Supervisory Committee Member of the Company (current position)

**Attendance at Board of Directors meetings:**

- Tateaki Ishida: 12/13
- Hiroshi Maezono: 13/13
- Toshiyuki Hayakawa: 12/13
- Ichiro Mizuno: 12/13
- Tsunehiro Nakayama: 12/13
- Masato Okajima: 13/13
- Mitsuhiro Yasuda: 13/13
- Keisuke Inoue: 10/10
- Fumio Inui: 10/10
Effective corporate governance is promoted by spirited, practice-grounded discussions in a board where Outside Directors hold the majority.

Forming a fresh management team to carry forward the CEO’s vision

I became an Outside Director of Tokai Tokyo Securities in 2010, and this year marks my ninth year on the Group’s Board of Directors. For the past eight years, Mr. Ishida’s resolute leadership has both spurred forward and characterized the Company’s governance. Mr. Ishida has dedicated his energies to developing a system of corporate governance that puts us ahead of the curve. For example, he decided to give Outside Directors a majority presence in the Board of Directors and to have the Board’s Chairperson be selected from among the Outside Directors. The CEO has been no less resolute on the business side. He has developed and executed an innovative business strategy, through which we have grown into one of the leading securities and financial groups in Japan, second only to the major securities companies and megabank-affiliated securities firms.

Mr. Ishida’s leadership has been nothing short of visionary, but eventually the baton will be passed on, and so we face the critical task of preparing the next generation to carry forward the CEO’s vision. The Outside Directors, myself included, will use our positions on the Nomination and Remuneration Committee to discuss and debate this issue, so as to help produce leaders who can one day take the helm of the Group. Meanwhile, we will also fulfill our oversight role by monitoring the execution of business.

A board’s chairperson should ensure that a variety of views are heard, rather than steering board discussions in a particular direction

I have served as the Chairperson of the Board of Directors since 2016. When chairing meetings, I always try avoid an overly regimented approach. Directors have a duty to frankly express their opinions about the management. To encourage them to fulfill this duty, a chairperson should refrain from rushing the meeting to a conclusion midway through discussion. A chairperson should also take great care not to steer the discussion in a particular direction. I see my role as nothing more or less than that of a prompter. I aim to elicit a variety of views and ideas so as to generate a purposeful discussion. This is the best way to prevent board proceedings from becoming formulaic and to ensure that the outcomes of deliberations are valid.

Currently, five of the nine directors of Tokai Tokyo Financial Holdings are from outside the Company. We all represent a variety of backgrounds and perspectives, but we also have something in common: we are all independent of the Company and have formidable professional expertise, having worked in the finance for many years. Each Outside Director contributes to vibrant discussions, offering realistic ideas underpinned by practical experience. Such discussions increase the effectiveness of governance.

The outlook for Japan’s securities sector is sobering. I believe that the country’s securities companies are going to face a sink-or-swim moment. With the domestic market shrinking amid the falling birthrate and depopulation, many companies may end up going bust or getting merged into other companies. To survive the crunch, our group must achieve sustainable growth and meet the expectations of our stakeholders. To this end, we must make headway in our strategy to become an integrated financial group. We must also strengthen our profitability and finances and further upgrade our management framework. As Outside Directors, we are committed to furthering the Group’s growth by discharging our duties to monitor and check the execution of business.
My task is to scrutinize the risk-return tradeoffs of M&As and alliances, upon which the success of our growth strategy depends while adequately discussing with executive directors. The ultimate goal is to increase continuously shareholders value.

Mitsuhiko Yasuda  
Outside Director  
Chairperson of the Audit & Supervisory Committee

Remuneration for directors and Audit & Supervisory Board members: Its source is derived from the income attributable to shareholders

A key role of Outside Directors, including those on the Audit & Supervisory Board, is to monitor whether the management is acting in the interests of shareholders. Japan’s Corporate Governance Code received an update in June 2018, which further underscored the principle that a company’s capital policy should be shaped by the interests of shareholders. The Company’s basic approach to capital should be transparent to stakeholders. For example, companies should disclose to their shareholders how much returns they can expect to receive, and how the Company will invest toward long-term share price increases. Part of our remuneration as directors is linked to income attributable to shareholders. This helps us remember that we are ultimately entrusted by the shareholders to monitor the management.

As an Outside Director of Tokai Tokyo Financial Holdings as well as the Chairperson of the Audit & Supervisory Committee, I am always conscious of my duty to monitor and check the Board of Directors, particularly in relation to M&As and alliances, which are central to the Group’s strategy. M&As and alliances must be checked carefully. You must consider the scale of the potential benefits. If you are acquiring a company with a different kind of corporate culture, you must consider the benefits of integrating the Company. You must also consider how you will manage the Company and ensure effective internal controls. M&As naturally entail risks, but it is essential to weigh these risks against the potential return and then determine whether there is an acceptable risk-return tradeoff. In this respect, I question executive directors about the prospects of an acquisition, such as how it would expand our business scale and contribute to revenue, and I also demand to see the whole due diligence* process. In this way, I help ensure that the management is thorough and judicious in determining whether an M&A or alliance would benefit our corporate value and shareholder value.

Aiming to be a group that never stops growing

The practice of clearly separating business execution from management oversight has gained traction in Japan. There is certainly a distinct separation in our case. Outside Directors are the majority in the Board of Directors and in the Audit & Supervisory Committee. Moreover, we have the Nomination and Remuneration Committee, which consists of three Outside Directors and the CEO, and these bodies help ensure transparency in the processes for nominating director candidates and determining remuneration. The Board of Directors and the Audit & Supervisory Committee contribute to rigorous corporate governance by hosting spirited and constructive discussions.

But I don’t pretend that the system is perfect. The Board of Directors, for example, could be more diverse, in terms of gender and international perspectives. When it comes to the effectiveness of the Board, directors have plenty of issues to discuss outside of the agenda items. I will continue to discuss these issues with our internal counterparts, including Mr. Ishida, and otherwise work to upgrade governance systems and further strengthen the Board of Directors. I am also committed, as an Outside Director and member of the Audit & Supervisory Board, to contribute toward the Group’s sustainable growth, so that it continues to be the choice of customers and shareholders.

*The process for determining whether the target company’s asset value is acceptable.
In 2014, to strengthen the Group’s strategy execution both in Japan and overseas, our company established a Global Advisory Board (GAB), whose members are leading experts from major countries, including a former European Central Bank President and distinguished others.

On May 24, 2018, the fifth GAB meeting was held in Tokyo. This meeting saw the gathering of global political and economic experts such as Mr. Jean-Claude Trichet, former President of the European Central Bank; Mr. Robert M. Kimmitt, former United States Deputy Secretary of the Treasury; and Sir David Li Kwok-po, Chairman and Chief Executive of the Bank of East Asia. With GAB Chairman Mr. Makoto Utsumi (former Vice Minister of Finance) playing a central role, the discussions covered the economic trends and geopolitical status of regions throughout the world. In addition, GAB has also held public events. One was a special open lecture by Mr. Robert M. Kimmitt. Another was an international symposium at Aoyama Gakuin University led by the participating GAB members.

Participating Members of the Global Advisory Board

1. Mr. Jean-Claude Trichet  
   Former President of the European Central Bank  
   Chairman of the Trilateral Commission (Europe)

2. Tateaki Ishida  
   President & CEO (Representative Director)  
   Tokai Tokyo Financial Holdings, Inc.

3. Mr. Makoto Utsumi  
   Former Vice Minister of Finance for International Affairs of Japan  
   Former Professor, Graduate School of Business and Commerce, Keio University  
   Chairman, Global Advisory Board, Tokai Tokyo Financial Holdings, Inc.

4. Mr. Enrique V. Iglesias  
   Former President of the Inter-American Development Bank (IDB)  
   Member of the Board, Elcano Royal Institute

5. Hiroshi Maezono  
   Deputy President (Representative Director)  
   Tokai Tokyo Financial Holdings, Inc.

6. Sir David Li Kwok-Po  
   Chairman and Chief Executive  
   The Bank of East Asia

7. Mr. N.K. Singh  
   Chairman, Finance Commission, India

8. Mr. Robert M. Kimmitt  
   Former Deputy Secretary of the U.S. Treasury  
   Senior International Counsel, Wilmer Cutler Pickering Hale and Dorr LLP

*Tateaki Ishida and Hiroshi Maezono are participating as observers. Mr. N.K. Singh is a special guest.*
The Tokai Tokyo Financial Group seeks to fulfill its corporate social responsibility (CSR) by contributing to society through its business activities guided by the Group’s Ethical Code of Conduct.

Basic approach to CSR

We believe earning and maintaining trust in the Group as a leader in the financial and capital markets requires that we fulfill our responsibility to constantly upgrade and operate compliance routines. We also respect and maintain positive and smooth relations with all the varied stakeholders to attain sustainable growth and mid-to-long-term increase in the corporate value of the Group.

Contributing to society by fulfilling our duty of satisfactory business operation

Financial education for university students
Tokai Tokyo Financial Holdings runs an educational course that teaches the role and business profile of securities companies in capital markets. Presented at four universities in Nagoya and Tokyo, the half-year course explores the actual workings of a securities house with Group directors and employees presenting lectures based on their hands-on experiences.

Regional social activities

Supporting industry invigoration in the Chubu region
The need to make a move toward the Open Innovation is rising also in the Chubu region, the hub of the Japanese manufacturing industry. The concept, Open Innovation, calls for the proactive introduction of technologies developed by other industries or universities. We launched the Chubu Open Innovation College Program as a gathering point for corporate executives to discuss and exchange ideas. The program held its first seminar in June 2017. In FYE3/2019, seminars were held monthly, providing many valuable opportunities for networking and idea exchanges among businesses, universities, and the students.

Cultivating future leaders who lead Chubu for its global development
The Company established the Nagoya University Tokai Tokyo Financial Holdings Global Business Program to support academic and educational exchange between Nagoya University and universities in the United Kingdom with the aim of cultivating individuals who will be able to lead the region’s future global development. In FYE3/2018 and again in FYE3/2019, the program presented a seminar open to students and the public on international affairs to increase understanding of international developments. The program also sends local undergraduate and graduate school students on education exchange programs to the University of Cambridge and University of Edinburgh in the United Kingdom.

Registered issuance supporter of the Ministry of the Environment’s Green Bond Issuance Promotion Platform
Tokai Tokyo Securities is now registered as an “issuance supporter” in the Green Bond Structuring Division of the Ministry of the Environment’s Green Bond Issuance Promotion Platform, a program under the Ministry’s initiative to promote green bond issuance. By retaining support from registered green bond issuance supporters, issuers (such as businesses and local governments) qualify for the subsidies from the Ministry for the cost accruing in addition to ordinary bond-issuance expenses.

Promotion of sports
To support athletes who aspire to compete on the world stage, we use Athnavi, the Japanese Olympic Committee’s job placement system for talented athletes. As of FYE3/2019, we have recruited five athletes. In November 2016, TTFH entered into a comprehensive agreement for its Athlete Development Program to collaborate with the academic institutions, Umemura Educational Institutions and Chukyo University, to promote a full range of sports culture in the region. Through this collaboration, TTFH established a scholarship program for student athletes.

Support for disaster relief
TTFG and its employees provide disaster-relief funds to help individuals in areas that have been stricken by major catastrophes. Following the July 2018 West Japan Floods, TTFG donated 11 million yen to the Chunichi Shimbun’s appeal. Following the September 2018 Hokkaido Earthquake, TTFG raised 2 million yen for the Japanese Red Cross Society. TTFG will continue to support disaster relief efforts.
Schemes Designed to Enhance Corporate Value

Initiatives Geared toward Society and the Environment

Supporting local communities through the Tokai Tokyo Foundation
The Company established the Tokai Tokyo Foundation in August 2016 in commemoration of the 15th anniversary of the creation of the Tokai Tokyo Financial Group. The objective of the foundation is to contribute to future prosperity of local society by helping cultivate individuals to become local leaders, fostering individuals with global skill sets, providing opportunities to deepen local understanding of the international economy and societies, and promoting culture and arts. The foundation has supported a number of local initiatives. One is the Tongali Project, an initiative of Nagoya University’s Academic Research and Industry-Academia-Government Collaboration Center that promotes entrepreneurship. Another is “iCoToBa,” an initiative of Aichi Prefectural University. In FYE3/2019, the foundation supported overseas study trips for students at 13 high schools in Aichi Prefecture that are recognized as “super English hub schools”. Further, it established the Tokai Tokyo Foundation Overseas Study Scholarship in collaboration with AFS Intercultural Programs, Japan., an initiative led by AFS, a public Incorporated Foundation. The scholarship assisted the students at high schools, technical colleges and vocational training colleges with their studies abroad. As such, we are making contribution to regional society through such endeavors as well.

Supporting Aichi Prefecture’s efforts to promote women’s empowerment
Tokai Tokyo Securities acts as an “empowerment leader” in a public-private initiative with Aichi Prefecture. In 2018, Aichi Prefecture launched a public-private initiative to promote women’s empowerment as part of its “Aichi women’s empowerment project,” which is intended to help the prefecture’s women get ahead in their careers. In this initiative, Aichi Women’s Empowerment Companies are invited to become “empowerment leaders” (the full title being “leaders promoting the empowerment of Aichi’s women”), which engage in empowerment efforts and encourage other companies to actively recruit women.

In September 2018, members of the Group’s women role model team attended a social gathering organized by TTSC and Toyo Electric Corporation in Kasugai, Aichi. At the event, the role models compared notes and held discussions with their counterparts in Toyo Electric regarding empowerment initiatives and the challenges to be overcome.

Notes 1. Tokai Tokyo Securities was certified as an “Aichi Women’s Empowerment Company” in 2015. In 2016, the prefecture awarded TTSC for its exemplary actions.
2. See p.47 for a special feature on the Group’s role model system.

Customer satisfaction initiatives

Customer survey
The Company seeks to increase long-term profits by deepening customer loyalty and devotion by winning trust from, and giving satisfaction to, customers.

Tokai Tokyo Securities, the flagship of the Tokai Tokyo Financial Group, started conducting annual customer surveys in 2008, and in 2018, it started conducting them bi-annually. Through these surveys, TTSC regularly gauges customer opinions and uses the responses as a basis for improving its products and services to further enhance customer loyalty.

TTSC uses the survey responses to quantify customer satisfaction as a “CS rate,” which it uses as a key performance indicator (KPI) to evaluate how thorough it conducts customer-first operation, and applies the results to improve its service offerings.

Evaluating the quality of our website and call center
Tokai Tokyo Securities’ customer service scores high in the HDI benchmarks.* The company has received a 3-star rating—the highest accolade—in the call-center category for four years running, and the same rating in the website category for five years running.

*HDI is the world’s largest customer support association. HDI-Japan runs an awards program which rates the performance and quality of companies’ call-center and website-based customer support.
Employee advancement initiatives

Shifting to a new personnel system

Japan’s work culture is on the cusp of an historic change. The country’s dwindling labor pool, a result of its falling birthrate and graying population, has put pressure on companies to boost production through work-style reform. The financial sector is no exception. Here, developments in AI-driven technology and FinTech, as well as the pressure to fulfill fiduciary duties, have created a desperate need for a workforce with highly specialized skills and great personal qualities (“expertise and humanity”).

In keeping with such trend of the times, and with a view to being the Flag Bearer for the New Age (a key theme of the management plan), the Tokai Tokyo Financial Group is reorganizing its personnel system so as to cultivate a team of professionals with excellent market value. April 2019 will see the launch of a new personnel system. Focusing on “proficiency and humanity”, this system arranges the desired expertise into seven “professional fields” with 12 levels. As well as guiding recruitment, the system also includes innovative schemes for training employees and fostering a productive workplace. For example, to incentivize employees to develop their expertise, we developed the “professional mileage system.” In this system, employees who gain a new qualification or complete training course earn mileage points, which they can trade in to boost their “professional field” level that TTFG recognizes.

Promoting diversity

The Group has established a dedicated diversity department and conducts various activities aimed at promoting diversity, which it believes is a key management strategy for responding to the changes in society.

To cultivate a diverse and self-actualized workforce, the Group will continue its efforts to get abundantly experienced senior employees and other groups more actively engaged in their duties, while encouraging women employees to shine in the workplace.

Management leadership

▪ Clear management message
  Each employee receives and is guided by a binder entitled the “Diversity Bible.” The front page of the binder clearly presents the message from the President & CEO that promoting diversity in the workplace is an important management strategy.

▪ Endorsement of the “Declaration on Action” of the General Meeting of Male Leaders Actively Promoting the Empowerment of Women
  Tokai Tokyo Financial Holdings President & CEO Tateaki Ishida proudly gave the Company’s endorsement to the “Declaration on Action” proclaimed by the General Meeting of Male Leaders Actively Promoting the Empowerment of Women, initiated by the Government of Japan’s Cabinet Office.

Promoting women in the workplace

▪ Numerical targets
  The Company set a target of attaining 20% of management positions filled by women by March 31, 2017. The Company had monitored continuously the progress since the target was set in October 2014 to the target attainment in January 2017. As of October 2018, women held 23.3% of management positions in the Company.

  Management has now set new, more-ambitious targets to continue advancing the promotion of women in the workforce.

Percentage of women in management positions (Tokai Tokyo Financial Holdings, Tokai Tokyo Securities) (Period end)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.0</td>
<td>12.7%</td>
<td>14.9%</td>
<td>17.4%</td>
<td>20.7%</td>
<td>22.2%</td>
</tr>
</tbody>
</table>

*Applies to registered employees of Tokai Tokyo Financial Holdings or Tokai Tokyo Securities holding a rank of manager or higher.
Schemes Designed to Enhance Corporate Value

Initiatives Geared toward Society and the Environment

- **Smart return interviews and returnee trainings**
  The Company distributes its “Smart Return Book” with articles providing helpful information to support and prepare employees who are maintaining their jobs while pregnant, on childbirth leave, or while caring for young children. The Company also facilitates interviews and discussions between employees planning to take child-care leave and their superiors. The Company also provides annual career training workshops for employees with children who are returning to work after child-care leave.

- **Role model initiatives**
  The Company also conducts an ongoing program of introducing women with extensive experience in positions of authority to serve as positive role models to the female students and other women outside the Company. We present clear examples of the role models who are making important contributions. We provide participants with the opportunities to learn from the role models’ experiences and personalities. Our idea is to encourage the participants to envisage clear images of working at the front line on a long-term basis.

- **The Good Life Balance Menu for the promotion of “The Entire Crew Engagement”**
  In 2018, we introduced the Good Life Balance Menu to support employees’ work-life balance. Employees who are parenting or caring for an elderly relative can use the menu to select externally provided services that will help them balance work with their other responsibilities.

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**Role model program**
- Each role model serves for one year
- Four to seven role models are selected each year, and each year has a separate theme
- Role models receive a monthly allowance

Candidates are selected in line with the theme of the year while striking a balance between different professional backgrounds, ages, and career stages. The program commenced in October 2018 has continued on to hail its 4th year role models. The role models have helped raise the percentage of women in management positions. They have also encouraged more women employees to access work-life balance support and raised women employees’ motivation. As well as helping women employees, they have inspired employee engagement in general and promoted greater diversity among fresh recruits.

The role models represent a mix of personalities, and they spread their message in many different ways. The intention here is to demonstrate that women of various traits and backgrounds are able to shine in various ways at workplaces. We want to challenge the notion that only a certain kind of women can be successful at workplaces.

**Key yearly activities**
- Kick-off meeting with management
- Seminar for clarifying the purpose of role models and honing the skills necessary to present authentic yourself
- Career design training for women employees and returnee training seminars: Participate in panel discussions and offer career advice
- Follow-up training for young employees: share professional experiences as well as lifestyle (how you spend your free time, hobbies, etc.)
- Internal bulletins: articles about each role model and career advice
- Present exemplary models for endowed courses, internships, job fairs and the recruitment of graduates
About the Tokai Tokyo Financial Group

Schemes Designed to Enhance Corporate Value
Future Growth Strategy
Data Section

Senior employee promotion activities

The Company encourages senior employees to remain active in the workforce, and has several options for employees desiring to continue working into their 60s and has established programs for employees to work until age 70.

External recognition

Tokai Tokyo Financial Holdings’ programs and initiatives have earned numerous certifications and awards.

- “Eruboshi (L-Star awarded)” Company for Promoting Women’s Participation in the Workplace 2017.
  The Company won Double L Star award from the Ministry of Health, Labour and Welfare
- FYE3/2017 Diversity Management Selection 100 from the Ministry of Economy, Trade and Industry
- FYE3/2016 Tokyo Award for the Promotion of Women from the Tokyo Metropolitan Government
- Recognized as an Aichi Women’s Empowerment Company (2016, Tokai Tokyo Securities) by Aichi Prefecture
- FYE3/2015 Award of Excellence in Recognition as a Company Promoting the Empowerment of Women (Tokai Tokyo Securities) by City of Nagoya
- FYE3/2016 recognition as a Company Supporting Child Care (Tokai Tokyo Securities) by City of Nagoya

Environmental initiatives

Energy-saving initiatives

The term “intensity” refers to the volume of energy necessary per unit of production output; it is used as an index showing production activity efficiency. Japan’s Act on Rational Use of Energy states that “Parties using energy to engage in business should endeavor to meet the target of reducing their energy intensity by an average of at least 1% per year.” The Group has achieved this target and is working for further reductions.

Introduction of fuel cell vehicles

For company vehicles, we have been moving forward with a changeover to vehicles that provide large CO₂ emission reduction benefits, and, in June 2017, we introduced two fuel cell (hydrogen) vehicles because they further reduce the environmental burden. Fuel cell vehicles use hydrogen as fuel, and they are considered “eco cars” as they produce no CO₂ emissions, and they also do not emit NOx or other harmful substances either that can cause air pollution.

Promoting diversity (Japanese)

http://www.tokaitokyo-fh.jp/corporate/businessplan/diversity.html

Diversity training for management and career design training for each career level

The Company offers a diversity training program for management to deepen understanding of the advantages of promoting diversity and enhance management skills for a diverse workforce. Similarly, the Company offers career design training for each career level, so as to provide each employee opportunities to consider their career options by themselves.

Participation in the MHLW workplace environment model for employees providing nursing care

To prevent employees leaving their jobs for nursing care of their parents, in 2014, the Company participated in a Ministry of Health, Labour and Welfare program to develop strategies for companies to accommodate the growing number of workers expected to take on dual duties of working and providing nursing care. The Company conducts internal Company surveys of employees who were involved in caregiving situations with the aim of developing programs to make it possible for individuals to provide care without leaving their jobs.
### Data Section

#### Financial and Non-Financial Highlights

**Operating revenue**

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</thead>
<tbody>
<tr>
<td>Value (Millions of yen)</td>
<td>90,547</td>
<td>82,700</td>
<td>67,584</td>
<td>65,412</td>
<td>85,261</td>
</tr>
<tr>
<td>Relative Change (%)</td>
<td>8.2%</td>
<td>5.8%</td>
<td>3.2%</td>
<td>3.4%</td>
<td>12.0%</td>
</tr>
</tbody>
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**Breakdown of operating revenue**

<table>
<thead>
<tr>
<th>Source</th>
<th>FYE 3/2018</th>
</tr>
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<tbody>
<tr>
<td>Financial revenue</td>
<td>5.0%</td>
</tr>
<tr>
<td>Commission received</td>
<td>42.1%</td>
</tr>
<tr>
<td>Net trading income</td>
<td>52.9%</td>
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</tbody>
</table>

**Ordinary income**

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<tbody>
<tr>
<td>Value (Millions of yen)</td>
<td>33,405</td>
<td>28,524</td>
<td>15,297</td>
<td>13,269</td>
<td>20,939</td>
</tr>
<tr>
<td>Relative Change (%)</td>
<td>44.2%</td>
<td>46.3%</td>
<td>21.5%</td>
<td>27.0%</td>
<td>51.9%</td>
</tr>
</tbody>
</table>

**Profit attributable to owners of parent / ROE**

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</thead>
<tbody>
<tr>
<td>Value (Millions of yen)</td>
<td>23,243</td>
<td>18,499</td>
<td>12,423</td>
<td>11,990</td>
<td>25,397</td>
</tr>
<tr>
<td>% Change</td>
<td>23.2%</td>
<td>20.0%</td>
<td>15.5%</td>
<td>12.6%</td>
<td>17.7%</td>
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**Dividend per share / Dividend payout ratio**

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</thead>
<tbody>
<tr>
<td>Value (Yen)</td>
<td>32</td>
<td>34</td>
<td>38</td>
<td>38</td>
<td>38</td>
</tr>
<tr>
<td>% Change</td>
<td>31.2%</td>
<td>34.3%</td>
<td>38.8%</td>
<td>44.1%</td>
<td>60.0%</td>
</tr>
</tbody>
</table>

**Total assets / Net assets**

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<th></th>
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<th></th>
</tr>
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<tbody>
<tr>
<td>Value (Millions of yen)</td>
<td>617,270</td>
<td>458,106</td>
<td>568,548</td>
<td>742,435</td>
<td>965,621</td>
</tr>
<tr>
<td>% Change</td>
<td>84.0%</td>
<td>23.7%</td>
<td>23.8%</td>
<td>22.0%</td>
<td>27.2%</td>
</tr>
</tbody>
</table>

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**Data Source**

INTEGRATED REPORT 2018
### Ten-Year Financial and Non-Financial Summary

#### Consolidated operating results (Millions of yen)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Commission received</td>
<td>24,946</td>
<td>29,673</td>
<td>25,461</td>
</tr>
<tr>
<td>Commission to consignees</td>
<td>11,535</td>
<td>10,163</td>
<td>7,797</td>
</tr>
<tr>
<td>Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors</td>
<td>207</td>
<td>315</td>
<td>208</td>
</tr>
<tr>
<td>Fee for offering, secondary distribution and solicitation for selling and others for professional investors</td>
<td>5,504</td>
<td>13,584</td>
<td>11,480</td>
</tr>
<tr>
<td>Other fees received</td>
<td>7,699</td>
<td>5,609</td>
<td>5,974</td>
</tr>
<tr>
<td>Net trading income</td>
<td>15,996</td>
<td>26,256</td>
<td>23,909</td>
</tr>
<tr>
<td>Stocks</td>
<td>1,358</td>
<td>9,132</td>
<td>8,857</td>
</tr>
<tr>
<td>Financial revenue</td>
<td>2,685</td>
<td>2,570</td>
<td>3,031</td>
</tr>
<tr>
<td>Total operating revenue</td>
<td>43,627</td>
<td>58,500</td>
<td>52,402</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>1,977</td>
<td>1,389</td>
<td>1,617</td>
</tr>
<tr>
<td>Net operating revenue</td>
<td>41,649</td>
<td>57,110</td>
<td>50,785</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>42,546</td>
<td>46,593</td>
<td>47,695</td>
</tr>
<tr>
<td>Personnel expenses</td>
<td>20,460</td>
<td>24,082</td>
<td>22,970</td>
</tr>
<tr>
<td>Operating income</td>
<td>(896)</td>
<td>10,516</td>
<td>3,089</td>
</tr>
<tr>
<td>Non-operating income</td>
<td>1,266</td>
<td>1,871</td>
<td>2,071</td>
</tr>
<tr>
<td>Share of profit of entities accounted for using equity method</td>
<td>—</td>
<td>384</td>
<td>353</td>
</tr>
<tr>
<td>Non-operating expenses</td>
<td>928</td>
<td>379</td>
<td>354</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>(559)</td>
<td>12,008</td>
<td>4,806</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>2,439</td>
<td>11,779</td>
<td>4,364</td>
</tr>
<tr>
<td>Profit attributable to owners of parent</td>
<td>2,482</td>
<td>7,160</td>
<td>4,318</td>
</tr>
</tbody>
</table>

#### Consolidated balance sheets (Period end) (Millions of yen)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total current assets</td>
<td>379,377</td>
<td>625,709</td>
<td>623,754</td>
</tr>
<tr>
<td>Trading products</td>
<td>152,025</td>
<td>247,196</td>
<td>176,823</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>39,584</td>
<td>39,057</td>
<td>40,621</td>
</tr>
<tr>
<td>Total assets</td>
<td>418,961</td>
<td>664,766</td>
<td>664,376</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>310,204</td>
<td>543,864</td>
<td>545,376</td>
</tr>
<tr>
<td>Trading products</td>
<td>69,756</td>
<td>109,284</td>
<td>123,646</td>
</tr>
<tr>
<td>Total non-current liabilities</td>
<td>4,064</td>
<td>6,469</td>
<td>5,814</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>314,629</td>
<td>550,640</td>
<td>551,360</td>
</tr>
<tr>
<td>Total net assets</td>
<td>104,331</td>
<td>114,126</td>
<td>113,015</td>
</tr>
<tr>
<td>Total liabilities and net assets</td>
<td>418,961</td>
<td>664,766</td>
<td>664,376</td>
</tr>
</tbody>
</table>

#### Consolidated cash flows (Millions of yen)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td>(249)</td>
<td>(13,713)</td>
<td>(33,400)</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td>(3,245)</td>
<td>(1,879)</td>
<td>(3,498)</td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td>26,518</td>
<td>(1,275)</td>
<td>39,452</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period</td>
<td>79,328</td>
<td>62,521</td>
<td>61,725</td>
</tr>
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</table>

#### ROE, per share data, and non-financial information

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income per share (Yen)</td>
<td>9.35</td>
<td>26.33</td>
<td>15.50</td>
</tr>
<tr>
<td>Net asset per share (Period end) (Yen)</td>
<td>391.97</td>
<td>406.92</td>
<td>407.26</td>
</tr>
<tr>
<td>Return on equity (%)</td>
<td>2.4</td>
<td>6.6</td>
<td>3.8</td>
</tr>
<tr>
<td>Dividend per share (Yen)</td>
<td>7.5</td>
<td>15.0</td>
<td>8.0</td>
</tr>
<tr>
<td>Number of employees (Period end) (Consolidated)</td>
<td>2,045</td>
<td>2,335</td>
<td>2,286</td>
</tr>
<tr>
<td>Percentage of women in management positions (Period end) (TTFH, TTSC) (%)</td>
<td>12.7</td>
<td>14.8</td>
<td>17.4</td>
</tr>
<tr>
<td>Education and training expenses (Consolidated) (Millions of yen)</td>
<td>139</td>
<td>158</td>
<td>167</td>
</tr>
<tr>
<td>Number of sales outlets (Period end) (TTSC)</td>
<td>70</td>
<td>66</td>
<td>71</td>
</tr>
<tr>
<td>Assets under custody (Period end) (TTSC) (Billions of yen)</td>
<td>2,895</td>
<td>34.94</td>
<td>3,858</td>
</tr>
<tr>
<td>Energy usage intensity (TTSC) (Comparison to previous fiscal year)(%)</td>
<td>97.0</td>
<td>96.4</td>
<td>96.9</td>
</tr>
<tr>
<td>CO2 emissions (TTSC) (t-CO2)</td>
<td>4,303</td>
<td>3,938</td>
<td>3,697</td>
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# Data Section

## Consolidated operating results (Millions of yen)

<table>
<thead>
<tr>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Commission received</td>
<td>24,946</td>
<td>29,673</td>
<td>25,461</td>
<td>24,191</td>
<td>36,659</td>
<td>54,939</td>
</tr>
<tr>
<td>Commission to consignees</td>
<td>11,535</td>
<td>10,163</td>
<td>7,797</td>
<td>6,006</td>
<td>9,995</td>
<td>26,301</td>
</tr>
<tr>
<td>Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors</td>
<td>207</td>
<td>315</td>
<td>208</td>
<td>431</td>
<td>720</td>
<td>921</td>
</tr>
<tr>
<td>Fee for offering, secondary distribution and solicitation for selling and others for professional investors</td>
<td>5,504</td>
<td>13,584</td>
<td>11,480</td>
<td>11,704</td>
<td>19,763</td>
<td>21,149</td>
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<tr>
<td>Other fees received</td>
<td>7,699</td>
<td>5,609</td>
<td>5,974</td>
<td>6,048</td>
<td>6,180</td>
<td>6,567</td>
</tr>
<tr>
<td>Net trading income</td>
<td>15,996</td>
<td>26,256</td>
<td>23,909</td>
<td>25,593</td>
<td>28,301</td>
<td>32,775</td>
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<tr>
<td>Stocks</td>
<td>1,358</td>
<td>9,132</td>
<td>8,857</td>
<td>9,357</td>
<td>7,943</td>
<td>10,484</td>
</tr>
<tr>
<td>Bonds and Forex</td>
<td>14,638</td>
<td>17,124</td>
<td>15,052</td>
<td>16,235</td>
<td>20,358</td>
<td>22,291</td>
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<tr>
<td>Financial revenue</td>
<td>2,685</td>
<td>2,570</td>
<td>3,031</td>
<td>2,846</td>
<td>2,893</td>
<td>2,831</td>
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<tr>
<td>Total operating revenue</td>
<td>43,627</td>
<td>58,500</td>
<td>52,402</td>
<td>52,631</td>
<td>67,854</td>
<td>90,547</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>1,977</td>
<td>1,389</td>
<td>1,617</td>
<td>1,875</td>
<td>1,900</td>
<td>1,865</td>
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<tr>
<td>Net operating revenue</td>
<td>41,649</td>
<td>57,110</td>
<td>50,785</td>
<td>50,756</td>
<td>65,954</td>
<td>88,682</td>
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<tr>
<td>Selling, general and administrative expenses</td>
<td>42,546</td>
<td>46,593</td>
<td>47,695</td>
<td>47,392</td>
<td>50,702</td>
<td>58,434</td>
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<tr>
<td>Personnel expenses</td>
<td>20,460</td>
<td>24,082</td>
<td>22,970</td>
<td>22,708</td>
<td>26,188</td>
<td>28,971</td>
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<tr>
<td>Operating income</td>
<td>(896)</td>
<td>10,516</td>
<td>3,089</td>
<td>3,363</td>
<td>15,252</td>
<td>30,248</td>
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<tr>
<td>Non-operating income</td>
<td>1,266</td>
<td>1,871</td>
<td>2,071</td>
<td>2,078</td>
<td>2,071</td>
<td>2,071</td>
</tr>
<tr>
<td>Share of profit of entities accounted for using equity method</td>
<td>—</td>
<td>384</td>
<td>353</td>
<td>357</td>
<td>838</td>
<td>1,708</td>
</tr>
<tr>
<td>Non-operating expenses</td>
<td>928</td>
<td>379</td>
<td>354</td>
<td>364</td>
<td>337</td>
<td>69</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>(559)</td>
<td>12,008</td>
<td>4,806</td>
<td>5,077</td>
<td>17,320</td>
<td>33,405</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>2,439</td>
<td>11,779</td>
<td>4,364</td>
<td>4,769</td>
<td>17,812</td>
<td>35,307</td>
</tr>
<tr>
<td>Profit attributable to owners of parent</td>
<td>2,482</td>
<td>7,160</td>
<td>4,318</td>
<td>2,545</td>
<td>11,273</td>
<td>23,243</td>
</tr>
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</table>

## Consolidated balance sheets (Period end) (Millions of yen)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total current assets</td>
<td>379,377</td>
<td>625,709</td>
<td>623,754</td>
<td>603,235</td>
<td>591,911</td>
<td>580,345</td>
</tr>
<tr>
<td>Trading products</td>
<td>152,025</td>
<td>247,196</td>
<td>176,823</td>
<td>198,470</td>
<td>203,401</td>
<td>224,158</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>39,584</td>
<td>39,057</td>
<td>40,621</td>
<td>37,981</td>
<td>38,150</td>
<td>36,924</td>
</tr>
<tr>
<td>Total assets</td>
<td>418,961</td>
<td>664,766</td>
<td>664,376</td>
<td>641,216</td>
<td>630,061</td>
<td>617,270</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>310,204</td>
<td>543,864</td>
<td>545,376</td>
<td>524,571</td>
<td>499,388</td>
<td>461,216</td>
</tr>
<tr>
<td>Trading products</td>
<td>69,756</td>
<td>109,284</td>
<td>123,646</td>
<td>111,181</td>
<td>93,955</td>
<td>78,433</td>
</tr>
<tr>
<td>Total non-current liabilities</td>
<td>4,064</td>
<td>6,469</td>
<td>5,814</td>
<td>6,219</td>
<td>8,088</td>
<td>499,388</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>314,629</td>
<td>550,640</td>
<td>551,360</td>
<td>530,956</td>
<td>499,388</td>
<td>461,216</td>
</tr>
<tr>
<td>Total net assets</td>
<td>104,331</td>
<td>114,126</td>
<td>113,015</td>
<td>110,259</td>
<td>122,397</td>
<td>142,929</td>
</tr>
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</table>

## Consolidated cash flows (Millions of yen)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td>(249)</td>
<td>(13,713)</td>
<td>(33,400)</td>
<td>(43,135)</td>
<td>79,020</td>
<td>(14,701)</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td>(3,245)</td>
<td>(1,879)</td>
<td>(3,498)</td>
<td>(1,469)</td>
<td>1,767</td>
<td>5,452</td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td>26,518</td>
<td>(1,275)</td>
<td>39,452</td>
<td>(26304)</td>
<td>(18,937)</td>
<td>(1,617)</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period</td>
<td>79,328</td>
<td>62,521</td>
<td>61,725</td>
<td>43,330</td>
<td>48,491</td>
<td>39,141</td>
</tr>
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</table>

## ROE, per share data, and non-financial information

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income per share (Yen)</td>
<td>9.35</td>
<td>26.33</td>
<td>15.50</td>
<td>9.45</td>
<td>42.74</td>
<td>87.68</td>
</tr>
<tr>
<td>Net asset per share (Period end) (Yen)</td>
<td>391.97</td>
<td>406.92</td>
<td>407.26</td>
<td>416.51</td>
<td>461.12</td>
<td>509.11</td>
</tr>
<tr>
<td>Return on equity (%)</td>
<td>2.4</td>
<td>6.6</td>
<td>3.8</td>
<td>2.3</td>
<td>9.7</td>
<td>17.7</td>
</tr>
<tr>
<td>Dividend per share (Yen)</td>
<td>7.5</td>
<td>15.0</td>
<td>8.0</td>
<td>8.0</td>
<td>16.0</td>
<td>32.0</td>
</tr>
<tr>
<td>Number of employees (Period end) (Consolidated)</td>
<td>2,045</td>
<td>2,335</td>
<td>2,286</td>
<td>2,253</td>
<td>2,178</td>
<td>2,142</td>
</tr>
<tr>
<td>Percentage of women in management positions (Period end) (TTFH, TTSC) (%)</td>
<td>12.7</td>
<td>14.8</td>
<td>17.4</td>
<td>20.7</td>
<td>22.2</td>
<td>22.2</td>
</tr>
<tr>
<td>Education and training expenses (Consolidated) (Millions of yen)</td>
<td>139</td>
<td>158</td>
<td>167</td>
<td>190</td>
<td>195</td>
<td>233</td>
</tr>
<tr>
<td>Number of sales outlets (Period end) (TTSC)</td>
<td>70</td>
<td>66</td>
<td>71</td>
<td>71</td>
<td>70</td>
<td>71</td>
</tr>
<tr>
<td>Assets under custody (Period end) (TTSC) (Billions of yen)</td>
<td>2,895</td>
<td>34,94</td>
<td>3,858</td>
<td>3,719</td>
<td>3,995</td>
<td>4,320</td>
</tr>
<tr>
<td>Energy usage intensity  (TTSC) (Comparison to previous fiscal year) (%)</td>
<td>97.0</td>
<td>96.4</td>
<td>96.9</td>
<td>97.0</td>
<td>97.0</td>
<td>97.0</td>
</tr>
<tr>
<td>CO2 emissions (TTSC) (t-CO 2)</td>
<td>4,303</td>
<td>3,938</td>
<td>3,697</td>
<td>4,303</td>
<td>3,938</td>
<td>3,697</td>
</tr>
</tbody>
</table>
Data Section

Company Information

Company Information (As of March 31, 2018)

<table>
<thead>
<tr>
<th>Company name</th>
<th>Address of head office</th>
<th>Number of sales offices</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tokai Tokyo Securities Co., Ltd.</td>
<td>7-1, Meieki 4-chome, Nakamura-ku, Nagoya-shi, Aichi</td>
<td>66</td>
<td>Aichi, Tokyo, etc.</td>
</tr>
<tr>
<td>Takagi Securities Co., Ltd.</td>
<td>3-1-400, Umeda 1-chome, Kita-ku, Osaka-shi, Osaka</td>
<td>14</td>
<td>Osaka, Tokyo, etc.</td>
</tr>
<tr>
<td>Tokai Tokyo Research Institute Co., Ltd.</td>
<td>19-30, Aoi 1-chome, Higashi-ku, Nagoya-shi, Aichi</td>
<td>2</td>
<td>Aichi, Tokyo</td>
</tr>
<tr>
<td>Tokai Tokyo Asset Management Co., Ltd.</td>
<td>17-21, Shinkawa 1-chome, Chuo-Ku, Tokyo</td>
<td>1</td>
<td>Tokyo</td>
</tr>
<tr>
<td>Tokai Tokyo Investment Co., Ltd.</td>
<td>17-21, Shinkawa 1-chome, Chuo-Ku, Tokyo</td>
<td>1</td>
<td>Tokyo</td>
</tr>
<tr>
<td>Tokai Tokyo Wealth Consulting Co., Ltd.</td>
<td>5-28, Meieki 4-chome, Nakamura-ku, Nagoya-shi, Aichi</td>
<td>2</td>
<td>Aichi, Tokyo</td>
</tr>
<tr>
<td>Tokai Tokyo Academy Co., Ltd.</td>
<td>17-21, Shinkawa 1-chome, Chuo-Ku, Tokyo</td>
<td>2</td>
<td>Tokyo, Aichi</td>
</tr>
<tr>
<td>Tokai Tokyo Services Co., Ltd.</td>
<td>13-8, Aoi 1-chome, Higashi-ku, Nagoya-shi, Aichi</td>
<td>2</td>
<td>Aichi, Tokyo</td>
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<tr>
<td>Tokai Tokyo Business Service Co., Ltd.</td>
<td>17-21, Shinkawa 1-chome, Chuo-Ku, Tokyo</td>
<td>1</td>
<td>Tokyo</td>
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<tr>
<td>Eternal Co., Ltd.</td>
<td>20-19, Minamiaoyama 4-chome, Minato-ku, Tokyo</td>
<td>70</td>
<td>Tokyo, Hyogo, etc.</td>
</tr>
<tr>
<td>Mebius. Co., Ltd.</td>
<td>3-8, Minamishinmachi 1-chome, Chuo-ku, Osaka-shi, Osaka</td>
<td>1</td>
<td>Osaka</td>
</tr>
<tr>
<td>Pinnacle Inc.</td>
<td>6-7, Shibakoen 1-chome, Minato-ku, Tokyo</td>
<td>1</td>
<td>Tokyo</td>
</tr>
<tr>
<td>Tokai Tokyo Securities (Asia) Limited</td>
<td>18th Floor, No.33 Des Voeux Road Central, Hong Kong</td>
<td>1</td>
<td>Hong Kong, China</td>
</tr>
<tr>
<td>Tokai Tokyo Securities Europe Limited</td>
<td>4th Floor, Salisbury House London Wall, London, EC2M 5QO, United Kingdom</td>
<td>1</td>
<td>London, United Kingdom</td>
</tr>
<tr>
<td>Tokai Tokyo Securities (USA), Inc.</td>
<td>3 Columbus Circle, Suite 1715, New York, NY 10019, USA</td>
<td>1</td>
<td>New York, United States</td>
</tr>
<tr>
<td>Tokai Tokyo Investment Management Singapore Pte. Ltd.</td>
<td>60 Anson Road #13-03, Mapletree Anson, Singapore 079914</td>
<td>1</td>
<td>Singapore</td>
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<tr>
<td>Tokai Tokyo Global Investments Pte. Ltd.</td>
<td>60 Anson Road #13-03, Mapletree Anson, Singapore 079914</td>
<td>1</td>
<td>Singapore</td>
</tr>
</tbody>
</table>

Notes: 1. Tokai Tokyo Financial Holdings, Inc. reduced its stake in Utsunomiya Securities Co., Ltd. to 40% on April 3, 2017, changing Utsunomiya Securities from a subsidiary to an affiliated company.
2. Takagi Securities Co., Ltd. became a subsidiary on April 11, 2017.
3. Pinnacle Inc. became a subsidiary on September 21, 2017.
5. Tokai Tokyo Wealth Consulting Co., Ltd. relocated its head office on May 1, 2018.
Share Information (As of March 31, 2018)

Stock code 8616
Stock exchange listings First Section, Tokyo Stock Exchange and Nagoya Stock Exchange
Shareholder registry administrator Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Number of shares authorized 972,730,000
Number of shares issued 270,582,115
Number of shareholders 30,916
Trading unit of shares 100

Major shareholders (Top 10)

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of shares Held</th>
<th>Ownership ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MUFG Bank, Ltd.</td>
<td>12,016,853</td>
<td>4.65</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account)</td>
<td>11,446,100</td>
<td>4.43</td>
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<tr>
<td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td>
<td>10,153,600</td>
<td>3.93</td>
</tr>
<tr>
<td>Mitsui Sumitomo Insurance Co., Ltd.</td>
<td>7,283,798</td>
<td>2.82</td>
</tr>
<tr>
<td>Toyota Financial Services Corporation</td>
<td>7,280,000</td>
<td>2.82</td>
</tr>
<tr>
<td>The Bank of Yokohama, Ltd.</td>
<td>7,014,553</td>
<td>2.72</td>
</tr>
<tr>
<td>Nippon Life Insurance Company</td>
<td>5,611,890</td>
<td>2.17</td>
</tr>
<tr>
<td>JP Morgan Chase Bank 385166</td>
<td>5,197,700</td>
<td>2.01</td>
</tr>
<tr>
<td>Sumitomo Mitsui Trust Bank, Limited</td>
<td>4,800,000</td>
<td>1.86</td>
</tr>
<tr>
<td>Meiji Yasuda Life Insurance Company</td>
<td>4,406,000</td>
<td>1.71</td>
</tr>
</tbody>
</table>

Notes: 1. The ownership ratio is calculated based on figures generated after deducting treasury stock from the total number of shares issued.
2. In addition to the companies listed above, Tokai Tokyo Financial Holdings holds 12,225,394 shares of treasury stock.

Shareholders breakdown (As of March 31, 2018)

By type of shareholder

- Individuals and others 20.67%
- Financial institutions 38.69%
- Other domestic corporations 9.47%
- Foreign corporations, etc. 24.66%
- Securities firms 1.98%
- Treasury stock 4.52%